



Safety *First*

Annual Report
Fiscal Year 2020

About Us

The Technical Standards and Safety Authority (TSSA) is Ontario's public safety regulator, mandated by the Government of Ontario to enforce technical safety regulations and enhance public safety. Throughout Ontario, TSSA regulates the safety of amusement devices, boilers and pressure vessels, elevating devices, fuels, operating engineers, and ski lifts.

TSSA reports to the Ministry of Government and Consumer Services (MGCS), which oversees TSSA's delivery of safety services and organizational performance, and retains authority for the *Technical Standards and Safety Act, 2000*.

TSSA's range of safety services includes public education and consumer information, examination, certification, licensing and registration, engineering design review, data analytics, risk evaluation, standards development, inspections, investigations, safety management consultation, compliance support, and enforcement and prosecution activities. TSSA also provides limited non-regulatory services through contracts to organizations in Ontario, mainly in the nuclear industry

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Our Purpose: To enhance safety where Ontarians live, work and play.

Our Vision: To be a valued authority for a safer Ontario.

Our Core Values:

Safety – Be safety conscious at all times.

Leadership – Be the best in actions and words.

Integrity – Be honest and ethical.

Respect – Build trust and earn respect.

Accountability – Be responsible for all actions and deliver on commitments.

Communication – Share information responsibly and effectively.

Collaboration – Work together across the whole organization and with our external partners.



Message from the Chair

As I write this Message, the world is still in the grips of the COVID-19 pandemic. While for TSSA, the provincial lockdown led to budgetary constraints, associated operational changes and a temporary reduction in staffing levels in the latter part of the Fiscal Year 2020, it has in no way changed TSSA's strong commitment to public safety in Ontario.

With a view to building on the foundational work begun in Fiscal Year 2019, the Board of Directors welcomed three new

members – Christin Carmichael Greb in June, Brian McQueen in September, and Peter Marcucci in October – each of them bringing additional expertise in the areas of community engagement, governance and safety regulation. With this additional bench-strength, the Board sharpens its focus on strategic initiatives and governance oversight that support improved safety for the people of Ontario. Moving forward, our goal is to shape the Board's membership to reflect diversity, in all its interpretations, including gender, race, ethnicity, skills, experience and ideas. Only in this way, can we be said to adequately represent our key stakeholders and the public.

The Board was also pleased to appoint Angela Byrne, CPA, CMA, as Ontario's Safety and Risk Officer (SRO) in October 2019, for an initial three-year term. Angela is responsible for independently reviewing and assessing TSSA from a safety perspective. Her role is unique in that it reports directly to the TSSA Board of Directors and supplements our independent financial audits and other internal and external audits that we regularly conduct.

The OASIS IT-project (formerly known as 20/20) will play a critical role in the organization's transition to a modern regulator, and with that in mind, the Board approved the updated OASIS program roadmap in October, including approval for the management and financial resources required for its delivery. The organization is now well-positioned

to implement the 2021 Business Plan. OASIS will go a long way towards modernizing TSSA's IT and data management system, giving the organization access to timely, reliable data and providing increased transparency to government, industry and the public.

Looking back on a successful year that ended with unexpected challenges, the Board is grateful to have excellent working relationships with the Minister and her senior aides and representatives from the Ministry of Government and Consumer Services, as well as the many talented individuals who provide input and technical expertise on various TSSA Advisory Councils. We intend to further strengthen these relationships going forward, as we continue to deliver on our commitment to public safety and goal of reducing regulatory burden on businesses.

Maintaining public safety and enabling industry innovation must go hand in hand. I am very proud that TSSA's regulated parties, stakeholders, and employees share this mindset and embrace the notion that safety is an ongoing journey that requires our constant attention and responsiveness. On behalf of the Board, thank you all for your commitment to TSSA and for working hard, and working together, to make public safety a shared priority.

Robert J. ("RJ") Falconi
Board Chair

Message from the President & CEO



TSSA's journey to become a modern, outcome-based regulator shifted into high gear early in Fiscal Year 2020, and while we began moving more cautiously towards the end of the fiscal year with the onset of the COVID-19 pandemic, we continued to make progress on transforming how we regulate safety in Ontario.

The decision to introduce substantial cost reduction measures to offset the declining need for our services due to the pandemic was a difficult one. It is not easy to make these decisions and implement temporary measures, and I recognize the challenges created for those involved, as well as their families and work colleagues. We are a strong and resilient organization, and I truly appreciate the can-do attitude and dedication our employees bring to their work every single day. Although the reductions meant adjusting the timing of some of our goals, our decisions in no way diminished our resolve to continue to deliver our high safety standards, remain financially sound, and move ahead on key strategic initiatives.

We are still focused on ensuring that, going forward, our decisions and actions will be data-informed, as well as being enabled by systems that will result in improved safety, reduced risk, and decreased regulatory burden. For example, our new IT system, an improved risk model, and several new additions to the leadership team will give our work-to-date added momentum.

The phased launch of the OASIS (Operations. Analytics. Safety. Innovation. System.) initiative will be a game-changer for TSSA because it will allow us to capture the data that outcome-based decisions depend on, and also to plan for the future using reliable and up-to-date information. OASIS will improve most core functions at TSSA including: intake, billing, customer service support, procurement, invoicing, and a portal for customers. Significant progress was made on building the system in 2020, allowing for the roll-out of phase one in early 2021.

Another key strategic priority in Fiscal Year 2020 was the development of a new business model, which the Board approved in April. We sought stakeholder feedback on three options and chose a hybrid approach that scales fees appropriately and incorporates the advice we received. The new model is revenue neutral for TSSA and once implemented will:

- Be standard and predictable
- Be reasonable and fair
- Encourage compliance
- Improve efficiency, with fewer invoices and lower administrative costs
- Reduce disputes
- Achieve cost recovery by program.

In a similar way, improvements to our risk model, coupled with more data-based decision-making, will allow TSSA to prioritize the way work is planned -- assigning greater urgency to safety behaviours that are high-risk than to those with a lesser risk profile. The new risk model was peer reviewed in April and was implemented shortly thereafter. It will be a key enabler of our transformation.

Updated systems and risk models are one aspect of our transformation story. The other is about the people using these new approaches to make decisions. TSSA employees are showing themselves to be adaptive in the face of so much change, inside and outside the organization, and I am proud of their resiliency. To ensure we continue moving forward in the most positive way, I was very pleased to welcome several new members to the Leadership Team.

Old-style regulation depends quite often on the use of carrots and sticks. However, the style of oversight that will be TSSA's hallmark is reflected in new initiatives such as the new Compliance Support Program (CSP). Designed to help make compliance more collaborative and less adversarial, the CSP relies on partnerships and education to improve compliance with safety standards. It will assist owners and operators to meet their obligations with minimal impact on their business, leading to safer outcomes. The program launched in October.

In addition to the above-noted initiatives, we continued this year to work our way through the 17 recommendations from the Auditor General's 2018 report. We are pleased the report dovetails with our existing plans for change and see it as a great source of inspiration for the journey ahead.

Change is difficult, but when there is good will, strong collaboration, a clear vision about what lies ahead, and the right systems to help people make the necessary changes, the odds for success measurably improve. I believe these prerequisites are all in place now, and that our staff and partners are well-prepared to rise to the challenges ahead -- all in the name of making Ontario an even safer place to live, work and play.



Bonnie Rose
President & Chief Executive Officer

Outcome-Based Regulator

TSSA takes a risk-informed approach to safety oversight. Our focus is on safety outcomes -- and our goal is to use our expertise and strong partnerships to achieve positive safety outcomes for the people of Ontario. We use data to understand risk, shape the safety oversight framework and develop programs to better target risk and harm reduction and enable compliance.

This is what we mean when we talk about being a modern, outcome-based regulator.

Our Year in Review

As we continued our transformation toward becoming an outcome-based regulator, TSSA reached several important operational milestones this year that demonstrate our progress and commitment to transform.

While the pandemic in particular has caused us to review and recalibrate some of our initiatives, it has not changed our fundamental commitment to public safety and our focus on advancing our strategic goals. Key highlights of Fiscal Year 2020 include:

- Approval and kick off of a multi-year plan for our new IT system called OASIS
- Enhancements to advance our Risk Model
- Launch of the Compliance Support Program
- Release of a public dashboard of the Annual State of Public Safety Report
- Completing the design of a New Business Model

In Fiscal Year 2020, we completed the second wave of our Customer Values Survey. It showed that while our Perceived Value Index is roughly the same as it was in wave one (2017), there are improvements to be made in the area of compliance and regulations, including:

- Being fair and flexible when enforcing compliance
- Giving rewards for continued and improved compliance
- Providing sufficient education about regulations.

We will factor these findings into our actions as we continue to deliver on our five-year strategic plan.

We also learned that having a consistent vision, clear communications and a performance-oriented culture will contribute greatly to our success. In addition to describing the progress made by our people – this report provides a brief summary of the key initiatives completed during Fiscal Year 2020. From new programs to improvements in our processes and communications it is clear that change is underway.



Strategic Plan Highlights



Modern Regulatory Framework	Service Excellence	Safety Awareness, Active Compliance	Engaged People & Effective Teams	Solid Operational Foundation
<p>We will continue to work collaboratively with the Government of Ontario and regulated customers to ensure a modern regulatory environment, by becoming an outcome-based regulator that benefits all stakeholders.</p>	<p>Working with staff and key stakeholders, we will focus on ensuring customer interactions are consistently effective, efficient and supportive.</p>	<p>We will continue to promote actions that improve both the public and regulated customers' awareness of risks and empower them to adopt safe behaviours.</p>	<p>We will empower teams and promote an open and trusting environment for staff to adopt best practices and drive meaningful change at all levels of the organization.</p>	<p>We will continue to improve our operating efficiency and transparency, to achieve our goals and to benefit our employees, customers and other stakeholders.</p>



Modernized Regulatory Framework

Our journey to become an outcome-based regulator is ongoing, but already there is tangible proof that we are changing into an organization with a modern mindset. The programs put in place this year reflect this new approach.

Compliance Support Program

Created to improve compliance rates for high-risk entities in Ontario, our new Compliance Support Advisors have been working collaboratively with owners and businesses to prioritize and address non-compliance issues that pose a significant safety risk. Since introducing the Compliance Support Program, TSSA has offered this voluntary program to its regulated clients in the Elevators, Boilers & Pressure Vessels, and Fuels sectors.

An Enforcement Campaign for Repeat Offenders

To protect Ontarians from the dangers posed by poor technical workmanship on their fuel-burning appliances, TSSA prioritized the prosecution of uncertified gas technicians and unregistered contractors. Also known as “trunk slammers”, this initiative focused on repeat offenders and those who were working without proper certification.

Supporting the Enforcement Campaign, we launched our first-ever ‘Trunk Slammers’ educational campaign during Fraud Prevention Month to alert consumers about how to protect themselves when hiring a furnace or fuels contractor. Social media posts also helped raise awareness about the importance of hiring properly trained, registered and certified professionals.

New Risk-based Inspection Programs

A new approach to compliance was implemented this year for tanker trucks; fuel oil distributors and heating contractors. TSSA, along with industry input, developed compliance standards based on a clear assessment of risk for each type of business resulting in checklists that ensure businesses know what's expected of them. The oversight is based on the different levels of risk.

New Business Model

Recognizing that reliance on our current fee-for-service revenue stream based on inspections is limiting our ability to deploy our efforts to other safety services, we sought stakeholder feedback on three options for a new business model as well as proposed fees in all program areas. Based on the input received, TSSA is moving forward with fixed fees that are scaled based on business size with additional inspection costs being applied only when multiple follow-up inspections are required. The new model is revenue neutral for TSSA and, once implemented, will reduce burden for regulated clients with predictable fees and fewer invoices. The move will support TSSA's efforts to improve safety outcomes.



Service Excellence

TSSA's Board approved the appointment of a new **Safety and Risk Officer** in October 2019, with responsibility for independently reviewing and assessing TSSA from a safety perspective. This revised role supports our strategic goal of providing excellent service to businesses and supporting their efforts to keep the public safe. Other initiatives that illustrate our progress against this strategic goal include the following.

Business Continuity Plans

Completed to help TSSA mitigate, prepare for, respond to, and recover from a disruption to operations, Business Continuity Plans were tested and will help TSSA maintain operations if there is an event impacting our people, technology or facility. These plans were used to guide our response to COVID-19.

Annual State of Public Safety Report

Designed to ensure the ongoing effectiveness and transparency of our operations, the [Annual State of Public Safety Report](#) now includes additional metrics such as:

- Number and types of inspections performed in each safety program area
- Inspection rate and compliance in each safety program
- Most common non-compliance issues identified in each safety program area
- Safety incidents reported by each safety program area
- Number and result of re-inspections completed in each safety program area.

Increased Inspector Consistency

In an effort to improve inspector consistency, an after-the-fact inspector oversight process was introduced in all safety program areas, with learnings continuously shared with inspectors. This new approach was supported by a mobile app in the fuels program. The app is pre-loaded with standardized orders which allows for consistent language on customer-facing inspection reports and reduces the opportunity for human error and enables more consistency in the dataset TSSA uses to evaluate the risk of devices.



Safety Awareness, Active Compliance

Public Safety at a Glance

In April 2020, we launched a consumer-friendly [Public Safety at a Glance dashboard](#) to complement the [Annual State of Public Safety Report](#).

The new dashboard illustrates public safety data from each of our regulated sectors in an easy-to-read format.

Launch of new public-focused campaigns

TSSA focused on safety campaigns instead of launching a new public brand during the fiscal year. The campaigns served to ensure TSSA's

key safety messages were reaching the public. A carbon monoxide safety campaign ran in Guelph, Barrie and Peterborough supplementing the “trunk slammers” campaign mentioned on page 7.

Carbon Monoxide (CO) Safety

As one of the largest risks to Ontarians in the sectors regulated by TSSA, we continued our engagement and public education initiatives on CO safety with a strong emphasis on public interaction. This year we launched our ‘Working Together in our Community – Think Safe’ community campaigns as part of our ongoing efforts to enhance awareness and understanding of the risks and mitigation strategies associated with CO poisonings. TSSA worked in partnership with local officials and safety organizations to share important CO safety messaging and recommend actions for people to take in their homes. CO safety material reached every household in the communities we engaged and surveys confirmed that many residents recalled the material and felt more informed and ready to take action to protect themselves from carbon monoxide.

Transparency

TSSA has already incorporated several transparency practices consistent with the Organization for Economic Cooperation and Development (OECD) definition of open government as constituting “a culture of governance that promotes the principles of transparency, integrity, accountability and stakeholder participation.” Enhancements to TSSA’s approach to transparency are being informed by a review that was completed with all nine Advisory Councils that sought their input on: Corporate Reporting and Disclosure; Safety Information & Data Reporting and Stakeholder Participation.



Engaged People & Effective Teams

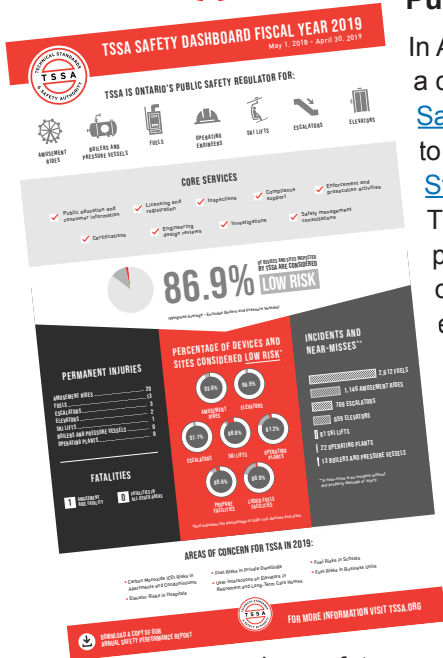
Culture Transformation

Following our culture assessment in the prior year, TSSA is focused on transforming its culture to support becoming an outcome-based regulator that keeps Ontarians safe.

This year we altered our performance management system for all employees with clear accountabilities linked to TSSA strategic objectives.

People leaders have participated in workshops and made commitments to support key behavioural changes as we collaborate and operate as one TSSA team. We’ve invested in change management to assist all team members in making the necessary shifts to shape and deliver on our strategic initiatives.

To support our transformation, we’ve invested in new roles and welcomed senior leaders including: Director Policy, Director Strategic Analytics, Director Shared Services and Director Operations Projects. We are focused on developing our leadership capabilities, building on our strong technical expertise.





Solid Operational Foundation

OASIS System – Boilers and Pressure Vessels Re-plan

TSSA's Board of Directors approved the updated program roadmap for the modernization of its IT and data management systems. The program formerly called 20/20 and now called OASIS will improve customer interactions and business intelligence with the first release in the Boilers and Pressure Vessels program area.

Improved Risk-Based Methodology

TSSA is further aligning its regulatory action with risk analytics by adapting and enhancing its risk score analysis. The risk model was developed in 2013 and has been enhanced over the years; a U.S. patent was received for the risk-based inspection scheduling model in 2013, shortly before the Canadian patent in 2014. For better alignment going forward, TSSA's risk scores are updated more frequently with greater weighting on the most recent inspections. Further developments are underway and will occur gradually throughout 2020 and 2021. Discussed with TSSA Advisory Council members and peer reviewed by academics and other regulatory agencies, the enhanced risk-based methodology will apply to all sectors regulated by TSSA.



Response to Auditor General's Recommendations

Since the Auditor General of Ontario (AGO) released her 2018 report, TSSA has acted on the report's 17 recommendations directed to TSSA and has integrated them into the organization's strategy and workplan. Work will continue until all the recommendations have been addressed, and final actions completed over the next few years.

Here are some of the most notable changes made in Fiscal Year 2020. The AGO's recommendations are summarized and noted in bold, and TSSA's response follows.

Review and update TSSA's information technology systems.

- Strategic hires made this year include an OASIS Project Manager and a Director of Strategic Analytics.
- Began rolling out the multi-year implementation plan for the new OASIS system, which replaces and upgrades TSSA's information technology system.

Reduce the risk of fuel oil contamination from fuel oil tanks and hazardous carbon monoxide releases from fuel-burning equipment.

- Developed and introduced the Fuel Oil Distributor Audit Program requiring distributors to demonstrate compliance in six key areas of responsibility. This includes taking action on hazards such as leaking tanks and malfunctioning equipment.

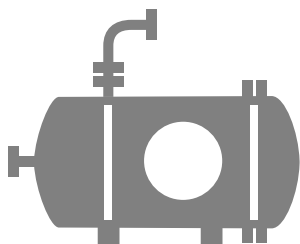
Conduct a review of TSSA's fee structure and, with a view to eliminating cross-subsidization of its program areas, report publicly the fee revenues collected from, and the costs of enforcement in, each safety program area.

- Completed a full review of TSSA's fee structure and disclosed fee revenues and cost-of-enforcement by program in the 2019 Annual Report.
- Fee increases aimed to eliminate cross-subsidization were introduced in August 2019 and are being phased in gradually over a three-year period.

The full list of recommendations, actions taken and TSSA's plan for implementing changes can be found at www.tssa.org.

Safety Program Highlights

Boilers and Pressure Vessels Safety Program



Inspections and Certification of Boilers and Pressure Vessels

TSSA's authorization process, initiated in 2018, to compile a comprehensive inventory

of boilers and pressure vessels in Ontario saw a total of 25,000 in-use devices being inventoried in TSSA's system this fiscal year. This three-year process will result in all insured devices having a Certificate of Inspection by the summer of 2021, thereby improving TSSA's ability to collect data and regulate boilers and pressure vessels. Complementing the authorization process is TSSA's new program to audit and review the insurance companies that perform most of the inspections of in service boilers and pressure vessels in Ontario.

Operating Engineers Safety Program



Alternate Rules

After extensive consultation with stakeholders, TSSA in April 2020 posted Alternate Rules to Operating Engineers

Regulation 219/01 (O. Reg 219/01) for comment. Under the Alternate Rules, plants may continue following the existing regulation or can opt-in to Alternate Rules and receive authorization from TSSA to operate under an alternate safety path. The proposed rules offer three safety paths

to achieving safety compliance at Ontario's power plants which TSSA would regulate and monitor for safety compliance. The concept of Alternate Rules is noteworthy because:

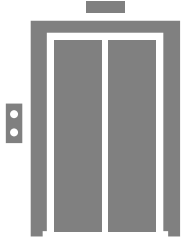
- It reflects the fact that modern plant equipment is now often automated;
- It allows for more flexible, risk-assessed, plant specific safety plans that will reduce burden on industry; and
- It reflects an expert panel's view that Ontario should adopt a risk-based approach to regulating the Operating Engineers (OE) industry and offers two additional compliance paths.



Fuels Safety Program

Revision of the Fuels Heating Contractor Audit Program

This revised program was developed to improve the oversight of heating contractors by focusing on key areas of risk. The former process was onerous on the customers of heating contractors and was not always effective. Contractors must now demonstrate compliance with seven responsibilities outlined in the gaseous, fuel oil and propane regulations. The new program also calls for contractors to ensure processes, controls and record keeping are introduced. The program has been met with positive response from industry.



Elevating Devices Safety Program

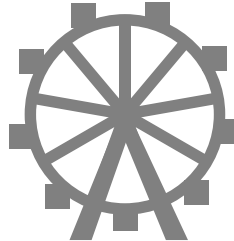
Compliance Education

In support of TSSA's goal to provide compliance support to our stakeholders, TSSA continued to provide elevating device owners

categorized as high risk with information to enhance understanding of their responsibilities and take important steps toward compliance. While direct engagements were paused due to COVID-19, TSSA continued to provide owners with monthly reports on their open orders.

NAESA Canadian Region Workshop

TSSA participated in the Canadian Region of the **National Association of Elevator Safety Authorities** (NAESA) annual workshop in November 2019. Inspectors, mechanics, consultants, and various industry leaders participated in a wide range of informative sessions including continuing accreditation to the American Society for Mechanical Engineers' (ASME) Quality Elevator Inspector standard. Topics included: updates on elevator/escalator inspection procedures; harmonization of ASME/CSA safety codes; and the latest seismic requirements for escalators, personnel elevators, residence elevators, material lifts, and elastomeric buffer requirements. TSSA was pleased to emcee this event.



Amusement Devices Safety Program

Audits of Amusement Park Devices

To ensure compliance with regulatory requirements and the ongoing safety of

operations at amusement parks across Ontario, TSSA initiated rotating audits of amusement park devices and launched operational audits throughout the province to check for valid operating permits.

Ski Lift Safety Program

Continuing Education for Licensed Ski Lift Mechanics and Technicians

TSSA strengthened the safety of ski lift operation by implementing continuing education requirements for ski lift mechanics effective January 1, 2019.



Significant Prosecutions

While the cornerstone of safety is working collaboratively with stakeholders towards compliance, TSSA must resort, at times, to prosecution as an enforcement tool. In Fiscal Year 2020, we pursued 20 prosecution files, for a total of \$95,000 in fines, plus a 25 percent surcharge fee. Funds from the fines and surcharges go to the municipality in which the prosecution occurred.

Successful prosecutions of this nature send a powerful message that Ontario's safety laws must be respected and that any violator who puts the public at risk will face the full extent of the law.



SAFETY AWARDS 2020

Safety is all in the family at Markham District Energy

There's a difference between going by the book and going above and beyond. When it comes to safety, Markham District Energy (MDE) believes in exceeding expectations.

According to Chief Operating Engineer, Craig Graham, it takes continuous work to keep MDE's facilities and energy infrastructure safe and to protect the operation's 24 full-time employees from harm. "Our commitment to doing the right thing, and in some cases doing more than safety regulations require, explains why we have had no injuries in the past 20 years. Safety is hard work, and I'm really proud of our performance."

Owned by the City of Markham, Markham District Energy delivers heating and cooling to 45 buildings and 175 townhomes through a series of interconnected underground pipes. Local hospitals, schools, data centres, condominiums and hotels also rely on MDE to deliver a continuous, reliable flow of energy, and the public that uses these facilities also expects them to be safe places to visit. To produce energy for its customers, MDE uses natural gas, electrically driven centrifugal chillers, generators, and a number of pieces of auxiliary equipment and systems — all of which could represent very real hazards for employees and the public, were MDE not so vigilant in their safety practices. "There's no way we would ever cut corners on safety in order to save money," says Graham.

Two examples demonstrate MDE's commitment to going above and beyond. "We staff one of our plants with two full-time Operating Engineers, on a daily basis, even though the regulations allow this type of



plant to be unattended," says Graham. "We also make automated external defibrillator devices available in all our facilities, to be better equipped to handle an emergency situation, even though the regulations don't require it."

Company representatives have volunteered to teach safety and help prepare post-secondary students at Cambrian College and at Durham College for work placements, and the in-house Joint Health & Safety Committee has implemented a Safety Training Standard for all staff in order to ensure safety is always top-of-mind.

One aspect of safety that is not regulated is corporate culture. At MDE, safety is everyone's responsibility. The lack of hierarchy in the organization's structure allows safety knowledge to be shared easily and for safety procedures to be practised by all. Graham likens the team to a "second family" and says that in the same way that family members look out for each other, so too does the MDE team. "I think it's really telling that we all feel like we won the TSSA Safety Award, not just the Operations team. It's a great reward for all of us, including the City of Markham."



SAFETY AWARDS 2020

Legacy Award Winner, Farrukh Siddiqi keeps Ontario Power Generation plant safe

At Ontario Power Generation's (OPG) nuclear facility in Darlington, Ontario, there are over 950 pressure vessels with thousands of pressure relief valves. Diligent inspection of these vessels is a top safety priority.



One of the people responsible for ensuring the facility's pressure boundary and pressure vessels operate in compliance with relevant Canadian codes and standards is Farrukh Siddiqi, Pressure Boundary and Pressure Vessel Specialist. Farrukh has been in this role at OPG since 2002, and is a subject matter expert.

Proud to win the 2020 TSSA Legacy Award, Farrukh says being part of a team responsible for pressure vessel safety at one of the best performing nuclear plants in the world is an honour and also a huge responsibility. "It takes everyone working together to run the plant safely for our employees and the public."

In his day-to-day work, Farrukh provides support to various teams across the plant including Maintenance, Plant Design, Procurement Engineering, Supply Chain, Performance Engineering, Nuclear Refurbishment and Inspection, and Reactor Innovation. In his pressure boundary specialist role, he has certified thousands of Pressure Boundary

Inspection and Test Plans, ensuring the scope of repair, replacement and modification meets the requirements of codes and procedures. A key point of contact internally, he also interacts daily with TSSA's on-site inspector. "My job is to ensure the plant is ready for TSSA to perform inspections and that maintenance is completed to code to pass those inspections." Since 2004, with leadership from Farrukh, the Darlington plant has successfully achieved TSSA's Pressure Boundary Certificate of Authorization six times.

Safety is a top priority in OPG and so is continuous improvement. When Farrukh has identified opportunities for improvement, he has ensured they get implemented. For example, when he saw an opportunity to increase operating pressure on the system, he ensured it was re-registered with TSSA for the higher pressure. This re-registration involved inspections and pressure testing of the piping and pressure vessels.

"It's important to make these incremental improvements, and exceed industry standards where we can, especially if it means the system can operate more efficiently and safely."

It's also important to start each day with a safety mindset – and to begin a career specializing in pressure boundaries with a solid foundation in safety best practices. In true winning style, Farrukh has been a generous mentor when it comes to transferring his knowledge of pressure vessels and pressure boundaries to new graduates and co-op students. One more reason why TSSA finds him so deserving of the 2020 Legacy Safety Award.

Management's Discussion and Analysis (MD&A)

The Management's Discussion and Analysis (MD&A) provides insight and understanding into TSSA's financial results and outlines the Organization's financial performance against its objectives for the fiscal year (FY) ended April 30, 2020. The MD&A should be read in conjunction with TSSA's audited financial statements and scorecard to understand the connection between strategy, enterprise risk and financial results.

Forward looking statements in the MD&A are subject to certain risks and uncertainties which may cause results or events to differ from current expectations. Such statements reflect TSSA's current expectations, estimates and projections based on certain material factors and assumptions.

Financial Highlights

TSSA's total revenue was \$73.2million, down 3% from last year. Regulatory revenue of \$66.2million was lower than the prior year by 4%, largely as a result the revocation of the Upholstered and Stuffed Article (USA) Safety program. Non-regulatory revenue of \$7million was 6% higher than last year. TSSA's revenue mix comprises regulatory revenue from Inspections (\$35.7million), Licensing/Registration/Certification (LRC), Exams (\$21.4million), Engineering (\$8.2million), and Investment Income (\$0.9million). Revenue is derived from fees that are based on cost recovery principles. In FY 2020 the Board of Directors approved a three-year fee increase for fiscal years 2020 to 2022, with the first increase taking effect August 1, 2019. The fee changes will allow for a more equitable reflection of the true cost of public safety services, and are being used to implement the Auditor General's recommendations and launch initiatives that will lead to improved safety and burden reduction.

TSSA's three program areas, Elevating & Amusement Devices (ED/AD), Fuels, and Boilers and Pressure Vessels & Operating Engineers (BPV/OE), predominantly generate regulatory revenue. In addition, ED/AD and BPV/OE produce non-regulatory revenue. Commentary on each follows.

The ED/AD Safety Program generated regulatory revenue of \$25.5million, 1% less than the prior year. The decrease was primarily driven by a mix in activity type with a focus on periodic inspections to deliver TSSA's regulatory mandate and focused effort to eliminate backlog. When practical, periodic inspections are consolidated with outstanding low-risk follow-ups within a single site visit; this results in a positive customer experience, increases efficiency and reduces customer costs.

Fuels Safety Program revenue of \$22.1million was flat compared to last year. Increased Engineering revenue resulting from higher customer demand was offset by a reduction in field approvals and unscheduled/ad-hoc inspections.

BPV/OE Safety Program regulatory revenue of \$17.5million, was favourable compared to the prior year by 8%, due to an increase in periodic and shop inspections, in addition to LRC driven by the BPV Certificate of Inspection (COI) initiative.

Additionally, all three programs were negatively impacted during March and April by COVID-19. Provincial rules preventing the start of new construction projects, a slow down in manufacturing, reduced access for inspections and uncertainty in the Amusement Devices industry about their ability to open this year, have contributed to weaker revenue than anticipated.

The USA Safety Program which was revoked by the Government of Ontario, effective July 1, 2019, generated revenue of \$1.0million, 78% below prior year.

Non-regulatory business revenue of \$7.0million has grown by 6% Recalculated, primarily due to demand and the renegotiation of a major contract that included a rate increase, which commenced in January, 2020.

TSSA is committed to managing expenses, optimizing efficiency and creating an environment in which there are sustainable, low costs. Total expenses were \$73.5million, a 2% expense reduction over the prior year. Total expenses for TSSA's OASIS program were \$3.0million, 36% lower than last year, as the program was paused while it was undergoing a refocusing phase. Focused on investing in technology and process improvements to improve data integrity and overall efficiency, TSSA's OASIS program is a multi-year business transformation to replace the organization's enterprise resource planning (ERP) system and enable TSSA to become an outcome-based safety regulator. TSSA will continue to support the OASIS program in FY 2021 and beyond, with the investments required to complete this strategic project. Excluding the OASIS program, core business expenses remained relatively flat. The increase in revenue and the decrease in total expenses year-over-year resulted in a positive operating leverage of 1%.

Salaries and benefits are TSSA's largest expenditure due to the nature of its business as a service organization. Spend in this area was relatively flat over the prior year, primarily due to unfilled vacancies.

Non-salary operating expenses decreased by \$0.9million, or 4% over the prior year, mainly driven by delays in projects which were intended to move forward at the end of Q4, that did not materialize as a result of COVID-19. Where possible and/or prudent, expense reductions, delays and deferrals were obtained to offset cost increases in a variety of key non-salary expense categories. Reduced professional services, lower communications and advocacy spend, and cost savings achieved in vehicle and travel expenses all contributed to the expense reduction.

TSSA generated an excess of expenses over revenue of \$0.3million primarily due to a shortfall in revenue, partially offset by reduced spend in OASIS. This was a \$1.0million reduction over the prior year.

Capital Expenditures

The net capital expenditures of \$1.4million were relatively flat compared to the prior year. Excluding the impact of OASIS and strategic IT programs, FY 2020 capital expenditures were \$0.25million versus \$0.03million in FY 2019, primarily related to increases in office equipment and leasehold improvements. Several capital expenditure activities including network infrastructure and enhancements were foregone this year to focus on the re-plan of the OASIS program.

Net Assets

TSSA's financial position remains strong with net assets of \$34.3million. TSSA continues to operate with no unfunded liabilities and maintains a solid working capital position (excluding deferred revenue) of \$20.0million (\$25.1million at April 30, 2019). Accounts receivable related to customer accounts were lower at the end of FY 2020, driven by COVID-19 revenue reductions. The current ratio (excluding deferred revenue) of 2.7:1 is weaker than FY 2019 which was 3:1. TSSA's investments in short and long-term financial instruments totalling \$38.2million (\$38.1million at April 30, 2019), are held to maturity in high quality, very low-risk financial instruments, adhering to the investment policy as approved by the Board of Directors.

At FY 2020 year-end, TSSA's total reserve level was \$26.8million, 38% of total operating expenses excluding the OASIS program. Within the Reserve, the internally restricted reserve of \$13.9million represents 18% of total operating expenses. The balance of the unrestricted reserve of \$12.8million is sufficient to support FY 2021 operating and capital funding requirements, including planned investments in the business process redesign and systems replacement activities in the OASIS program for FY 2021.

Fiscal Year 2021 Outlook

The FY 2021 budget represents management's commitment to stakeholders to develop and implement a practical financial plan aligned with the vision and strategic priorities of TSSA. The emphasis is on delivering efficient, customer focused processes that support TSSA's regulated mandate while funding investment to ensure a solid business foundation and modernize for the future. In FY 2020 the Board of Directors approved a three-year fee increase for fiscal years 2020 to 2022. The FY 2020 increase took effect August 1, 2019 and the FY 2021 increase was effective May 1, 2020. The fee changes will allow for a more equitable reflection of the true cost of public safety services, and are being used to implement the Auditor General's recommendations and launch initiatives that will improve safety and lead to burden reduction. The FY 2021 budget also reflects the anticipated impact of the COVID-19 pandemic, which is expected to depress revenue for several months. In response to this, management has taken several actions to manage expenses and cash to mitigate risk.

Total budgeted revenue is \$66.4million and is anticipated to decline by 9% over the prior year, largely due to an expected \$9.4 million revenue loss related to COVID-19, in addition to a \$1.0 million impact due to the wind-down of the USA Safety program. Partial offsets are projected resulting from the fee increase across all three programs effective May 1, 2020, increases in BPV COI Licences and increases in piping inspections.

Total budgeted expenses of \$75.5million are anticipated to grow by 3% over the prior year and includes internal resource costs to support the volume of planned activities to deliver TSSA's safety mandate and investments to achieve the strategic and business plan objectives. Core business expense growth, excluding the OASIS program, is expected to be 2%, consistent with supporting the core mandate and the business initiatives in the five-year strategic plan. Taking into account the Auditor General's recommendations, TSSA strives to become an outcome-based regulator. Investment to support the implementation of a new, evidence-based regulatory model that more effectively regulates industry and reduces unnecessary regulatory burden is required. TSSA continues to focus on planned initiatives including the new Business Model, phase one of the transition to become an outcome-based regulator, implementation of the Pipeline Safety Audit Program, and phase two of the Cybersecurity Plan. Cost controls remain in place to ensure focused spend. Several temporary labour actions were taken at the end of FY 2020 including, temporary layoffs, temporary wage reductions for all supervisor and management roles, the release of term employees, rate reductions for contract employees, a delay in merit increases for all employees and a temporary hiring freeze on all vacancies. These temporary actions will be reviewed on a monthly basis and will be reversed when management has confidence in the volume of work available, in addition to stable cash flow at a level adequate to support the organization. Staffing changes continue to require stringent business case justification, inflationary increases are to be absorbed with cost saving initiatives and offsets identified for one-time or cyclical expenditures. TSSA will continue to invest in workforce training, development and safety, the stability and performance of core IT infrastructure, and new programs such as Operating Engineers Alternate Rules.

TSSA's capital budget for FY 2021 is projected at \$2.4million. Spend is driven by a combination of the OASIS program and other IT projects. While there will be continued capital spending to upgrade and maintain IT infrastructure to ensure effectiveness, security, performance and reliability, investment in existing systems is limited, with the focus on the OASIS program.

The balance sheet is expected to remain solid and liquidity will continue to be strong based on available working capital and ongoing cash management. TSSA's liquidity ratios are strong, with cash available to support operations and capital investments. TSSA's investment portfolio of high-grade, low-risk investments remains consistent with the corporation's policy and is also closely monitored by a third-party investment manager.

TSSA continues to monitor its reserves and total reserves which were 36% at the end of FY 2020. The unrestricted reserve balance at the end of FY 2020 of 17% is adequate to support FY 2021 planned net deficit, investment in the OASIS program and all initiatives to deliver the strategic plan, including safety education initiatives. The total reserve level at the end of FY 2021 is expected to be 22%, supported by a restricted reserve level of 18%. The reserve policy targets a restricted reserve level of 25% of budgeted operating expenses. It is expected that reserves will recover through the approved fee increase to support the business in achieving its long-term vision and goals and ensure adequate capital for unforeseen economic events.

TSSA is confident that the established operating and capital budgets will enable the successful execution of TSSA's regulatory mandate and overall business plan. In FY 2021, TSSA will continue to focus on its transformation into an outcome-based regulator, with the ability to clearly demonstrate improved safety outcomes for Ontarians. TSSA is committed to be a trusted partner and educator, to assist the regulated community in achieving compliance and safety outcomes, while reducing unnecessary burden on the industry and fostering economic growth.

Independent Auditor's Report

To the Members of
Technical Standards and Safety Authority

Opinion

We have audited the financial statements of Technical Standards and Safety Authority ("TSSA"), which comprise the statement of financial position as at April 30, 2020, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Technical Standards and Safety Authority as at April 30, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of TSSA 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 these 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 TSSA's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate TSSA or to cease operations, or has no realistic alternative but to do so.

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

Auditor's 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 auditor's 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 these 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 TSSA'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 TSSA's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause TSSA 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.

We 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.

Toronto, Canada
June 25, 2020

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

Chartered Professional Accountants
Licensed Public Accountants

Technical Standards and Safety Authority

Statement of Financial Position

(In thousands of dollars)

Year ended April 30	2020	2019
Assets		
Current		
Cash	\$ 5,635	\$ 3,208
Short-term investments (Note 3)	16,801	24,455
Accounts receivable (Note 4)	7,939	8,663
Prepaid expenses	<u>1,151</u>	<u>1,426</u>
	31,526	37,752
Long-term investments (Note 3)	21,370	13,693
Capital assets (Note 5)	3,004	3,899
Intangible assets (Note 6)	<u>5,790</u>	<u>4,824</u>
	<u>\$ 61,690</u>	<u>\$ 60,168</u>
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 7)	\$ 11,328	\$ 12,436
Lease inducements (Note 8)	245	215
Deferred revenue	<u>14,202</u>	<u>13,126</u>
	25,775	25,562
Lease inducements (Note 8)	<u>1,619</u>	<u>1,864</u>
	27,394	25,562
Net assets		
Invested in capital and intangible assets	7,522	7,258
Internally restricted (Note 13)	13,947	13,947
Unrestricted (Note 13)	<u>12,827</u>	<u>13,401</u>
	<u>34,296</u>	<u>34,606</u>
	<u>\$ 61,690</u>	<u>\$ 60,168</u>
Commitments and contingencies (Note 15)		
On behalf of the Board		



Robert J. Falconi
Board Chair



Michael Lees
Chair of Audit, Finance and Risk Committee

Technical Standards and Safety Authority

Statement of Operations

(In thousands of dollars)

Year ended April 30	2020	2019
Regulatory business revenue		
Elevating and amusement devices	\$ 25,545	\$ 25,829
Fuels	22,097	22,177
Boilers, pressure vessels and operating engineers	<u>17,503</u>	<u>16,186</u>
	65,145	64,192
Non-regulatory business revenue	<u>7,038</u>	<u>6,653</u>
	<u>72,183</u>	<u>70,845</u>
Regulatory business expenses		
Salaries, wages and benefits	51,057	50,248
Operating	15,882	16,255
Amortization	<u>1,278</u>	<u>1,398</u>
	68,217	67,900
Non-regulatory business expenses	<u>5,011</u>	<u>4,765</u>
	<u>73,228</u>	<u>72,665</u>
Deficiency of regulatory business revenue over regulatory business expenses	(3,072)	(3,708)
Excess of non-regulatory business revenue over non-regulatory business expenses	2,027	1,888
Discontinued operation (Note 16)	<u>735</u>	<u>2,520</u>
(Deficiency) excess of revenue over expenses	\$ <u>(310)</u>	\$ <u>700</u>

Technical Standards and Safety Authority

Statement of Changes in Net Assets

(In thousands of dollars)

Year ended April 30

	Invested in capital and intangible assets	Internally restricted (Note 13)	Unrestricted (Note 13)	Total 2020	Total 2019
Net assets, beginning of year	\$ 7,258	\$ 13,947	\$ 13,401	\$ 34,606	\$ 33,906
(Deficiency) excess of revenue over expenses	(2,776)	-	2,466	(310)	700
Investment in capital assets	242	-	(242)	-	-
Investment in intangible assets	<u>2,798</u>	<u>-</u>	<u>(2,798)</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 7,522</u>	<u>\$ 13,947</u>	<u>\$ 12,827</u>	<u>\$ 34,296</u>	<u>\$ 34,606</u>

Technical Standards and Safety Authority

Statement of Cash Flows

(In thousands of dollars)

Year ended April 30	2020	2019
Increase (decrease) in cash		
Operating		
(Deficiency) excess of revenue over expenses	\$ (310)	\$ 700
Items not affecting cash:		
Amortization of capital assets	1,137	1,204
Amortization of intangible assets	149	256
Amortization of deferred lease inducements	(215)	(193)
Impairment loss on intangible assets	1,683	232
Unrealized loss (gain) on short-term investments	23	(72)
Unrealized gain on long-term investments	(12)	(37)
	<u>2,455</u>	<u>2,090</u>
Change in non-cash working capital items (Note 10)	<u>3,046</u>	<u>(2,185)</u>
	<u>5,501</u>	<u>(95)</u>
Investing		
Proceeds on maturity of short-term investments	20,746	17,308
Purchase of short-term investments	(13,115)	(20,848)
Proceeds on maturity of long-term investments	8,066	11,292
Purchase of long-term investments	(15,731)	(6,360)
Acquisition of capital assets	(242)	(28)
Acquisition of intangible assets	(2,798)	(1,466)
	<u>(3,074)</u>	<u>(102)</u>
Increase (decrease) in cash	2,427	(197)
Cash		
Beginning of year	<u>3,208</u>	<u>3,405</u>
End of year	<u>\$ 5,635</u>	<u>\$ 3,208</u>

Technical Standards and Safety Authority

Notes to Financial Statements

(In thousands of dollars)

April 30, 2020

1. Nature of operations

Technical Standards and Safety Authority (“TSSA”) is a statutory corporation without share capital under the *Technical Standards and Safety Act, 2000* (the “TSS Act”), based on amendments that were proclaimed effective May 1, 2010. TSSA is responsible for the administration of the TSS Act. As required by the amendments, TSSA entered into a Memorandum of Understanding (“MOU”) with the Ministry of Government and Consumer Services of the Province of Ontario (“MGCS”). Effective April 24, 2013, and pursuant to the TSS Act, the MGCS and TSSA executed an amendment to the MOU to revoke and replace the prior additional non-regulatory objects of TSSA, including certain procedures to facilitate compliance with the revised requirements. These revised objects reflect more clearly the non-regulatory business activities of TSSA.

TSSA’s objectives, as outlined in the TSS Act and MOU, allow TSSA to continue to administer the TSS Act and its regulations to promote and undertake public safety activities in relation to matters assigned to it, including training, certification, licensing, registration, audit, quality assurance, inspection, investigation and enforcement, subject to certain additional powers of the MGCS. TSSA is exempt from income tax.

Regulatory business revenue reflects those activities prescribed under the TSS Act.

In addition to its regulatory business services, TSSA offers services to the federal government and undertakes other contracts that are not regulated, as permitted by the TSS Act and MOU. This revenue is categorized as non-regulatory business revenue.

2. Significant accounting policies

The financial statements are prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants of Canada Handbook - Accounting.

Adoption of new accounting standards

On May 1, 2019, TSSA adopted new Standards 4433 *Tangible capital assets held by not-for-profit organizations* and 4434 *Intangible assets held by not-for-profit organizations* (the “Standards”), which require that such assets be written down to fair value or replacement cost to reflect partial impairments when conditions indicate that the assets no longer contribute to an organization’s ability to provide goods and services, or that the value of future economic benefits or service potential associated with the intangible assets are less than their net carrying amounts. This change in accounting policy was applied prospectively, as permitted by the transitional provisions in the Standards.

Revenue recognition

Revenue from elevating and amusement devices; fuels; and boilers, pressure vessels and operating engineers comprises inspection, engineering and licensing, registration and certification fees. Revenue from upholstered and stuffed articles comprises licensing, registration and certification fees.

Revenue from the provision of inspection and engineering services is recorded when services are performed. Licensing, registration and certification fees are recognized as deferred revenue when received. These fees are then recognized evenly over the period covered by the fee.

Interest income is recognized as revenue when earned and is recorded on an accrual basis.

Technical Standards and Safety Authority

Notes to Financial Statements

(In thousands of dollars)

April 30, 2020

2. Significant accounting policies (*continued*)

Financial instruments

TSSA considers any contract creating a financial asset, liability or equity instrument as a financial instrument. A financial asset or liability is recognized when TSSA initially becomes party to contractual provisions of the instrument. TSSA accounts for the following as financial instruments:

- Cash
- Accounts receivable
- Investments
- Accounts payable

Financial instruments are recorded at fair value on initial recognition and are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. TSSA has not elected to carry any financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest rate method.

Financial assets are assessed for impairment on an annual basis at the end of each fiscal year, if there are indicators of impairment. If there is an indicator of impairment, TSSA determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset, or the amount TSSA expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

Accounts receivable

At year-end, TSSA assesses whether there are any indications that the carrying value of accounts receivable may be impaired. For purposes of impairment testing, each significant account is assessed individually; the balance of the accounts are grouped on the basis of similar credit risk characteristics. When there is an indication of impairment, TSSA determines whether there has been a significant adverse change in the expected timing or amount of future cash flows. When TSSA identifies a significant adverse change, it reduces the carrying amount of the receivable to the higher of the amount that could be realized by selling the receivable at the statement of financial position date and the present value of the cash flows expected to be generated by holding the receivable.

When the extent of impairment of a previously written down receivable decreases and the decrease can be related to an event occurring after the impairment was recognized, the impairment loss is reversed to the extent of the improvement.

Technical Standards and Safety Authority

Notes to Financial Statements

(In thousands of dollars)

April 30, 2020

2. Significant accounting policies (*continued*)

Capital assets

Purchased capital assets are initially measured at cost and subsequently measured at cost less accumulated amortization. Leases that transfer substantially all the benefits and risks of ownership are capitalized. Replacements are expensed in the year of replacement. Amortization is provided on a straight-line basis over the estimated useful lives of the assets at the following rates:

Equipment	4 years
Furniture and fixtures	5 years
Computer hardware	3 years
Leasehold improvements	Remaining term of lease

Amortization of a capital asset commences when it is brought into service.

Contributed capital assets are recorded at fair value at the date of contribution.

Assets attributable to capital projects that are not available for use are held as assets in progress and are not amortized until the asset is substantially complete and available for use.

Intangible assets

Intangible assets relate to the costs of internally and externally developed software and business systems. Amortization is provided on a straight-line basis over the estimated useful lives of the assets at the following rates:

Business systems	5 years
Computer software	2 years

Amortization of an intangible asset commences when it is brought into service.

Contributed intangible assets are recorded at fair value at the date of contribution.

Assets attributable to projects that are not available for use are held as assets in progress and are not amortized until the asset is substantially complete and available for use.

Impairment of long-lived assets

TSSA assesses long-lived assets for impairment whenever conditions or changes in circumstances indicate that the asset no longer contributes to its ability to provide goods and services, or that the value of future economic benefits or service potential associated with the asset is less than its net carrying amount. When conditions indicate that a long-lived asset is impaired, the net carrying amount of the asset is written down to its fair value or replacement cost. The write-downs of long-lived assets are accounted for as expenses in the statement of operations and are not reversed.

Technical Standards and Safety Authority

Notes to Financial Statements

(In thousands of dollars)

April 30, 2020

2. Significant accounting policies (*continued*)

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the prevailing rates of exchange at the fiscal year-end date. Revenue and expenses are translated at the exchange rates prevailing on the transaction date. Realized foreign exchange gains of \$28 (2019; \$40) are included in the statement of operations.

Allocation of expenses

TSSA classifies expenses in the statement of operations by business type, regulatory business and non-regulatory business. TSSA allocates certain expenses as noted below on a consistent basis each year. Allocated expenses and the basis of allocations are as follows:

- (i) Direct labour and benefits are allocated on the basis of time incurred as a percentage of revenue; and
- (ii) Certain corporate support expenses are allocated using various allocation methods, including percentage of revenue and square footage of space.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions 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 year. Actual results could differ from those estimates.

3. Investments

Short-term investments consist of the following:

	2020		2019	
	Cost	Market value	Cost	Market value
Cash	\$ 3,524	\$ 3,524	\$ 1,681	\$ 1,681
Corporate and government bonds	1,625	1,640	8,867	8,917
Guaranteed investment certificates	<u>11,637</u>	<u>11,637</u>	<u>13,857</u>	<u>13,857</u>
	<u>\$ 16,786</u>	<u>\$ 16,801</u>	<u>\$ 24,405</u>	<u>\$ 24,455</u>

Short-term investments consist of cash, bankers' acceptances, guaranteed investment certificates and bonds, with yields between 1.35% and 2.85% (2019; 0.75% and 2.50%), maturing prior to March 1, 2021 (2019; April 30, 2020).

Technical Standards and Safety Authority

Notes to Financial Statements

(In thousands of dollars)

April 30, 2020

3. Investments (continued)

Long-term investments consist of the following:

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Market value</u>	<u>Cost</u>	<u>Market value</u>
Corporate and government bonds	\$ 996	\$ 1,017	\$ 2,598	\$ 2,608
Guaranteed investment certificates	<u>20,353</u>	<u>20,353</u>	<u>11,085</u>	<u>11,085</u>
	<u>\$ 21,349</u>	<u>\$ 21,370</u>	<u>\$ 13,683</u>	<u>\$ 13,693</u>

The long-term investments have effective rates between 1.64% and 3.01% (2019; 1.35% and 3.01%), maturing from May 2021 to January 2023 (2019; July 2020 to March 2022).

TSSA holds fixed income securities which are subject to market risk, interest risk and cash flow risk. These risks will also impact future cash flow streams, including dividends, gains and losses and interest income.

The value of fixed income securities will generally rise if interest rates fall and fall if interest rates rise. Changes in interest rates may also affect the value of equity securities.

The value of securities denominated in a currency other than the Canadian dollar will be affected by changes in the value of the Canadian dollar in relation to the value of the currency in which the security is denominated.

TSSA does not enter into any derivative instrument arrangements for hedging or speculative purposes.

4. Accounts receivable

	<u>2020</u>	<u>2019</u>
Accounts receivable	\$ 8,927	\$ 9,307
Allowance for doubtful accounts	<u>(988)</u>	<u>(644)</u>
	<u>\$ 7,939</u>	<u>\$ 8,663</u>

5. Capital assets

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Equipment	\$ 1,635	\$ (1,595)	\$ 40	\$ 270
Furniture and fixtures	930	(693)	237	497
Computer hardware	3,016	(2,800)	216	394
Leasehold improvements	<u>3,908</u>	<u>(1,397)</u>	<u>2,511</u>	<u>2,738</u>
	<u>\$ 9,489</u>	<u>\$ (6,485)</u>	<u>\$ 3,004</u>	<u>\$ 3,899</u>

Technical Standards and Safety Authority

Notes to Financial Statements

(In thousands of dollars)

April 30, 2020

6. Intangible assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2020 Net Book Value</u>	<u>2019 Net Book Value</u>
Business systems	\$ 12,331	\$ (6,543)	\$ 5,788	\$ 4,774
Computer software	<u>1,572</u>	<u>(1,570)</u>	<u>2</u>	<u>50</u>
	<u>\$ 13,903</u>	<u>\$ (8,113)</u>	<u>\$ 5,790</u>	<u>\$ 4,824</u>

During the year ended April 30, 2020, TSSA reviewed costs capitalized to date under the business systems transformation project and determined work previously performed relating to a component of the project will need to be reperformed to appropriately meet business requirements going forward. Accordingly, previously capitalized costs in the amount of \$1,683 (2019; \$232) have been written off and the impairment loss on intangible assets has been recognized in the regulatory business operating expenses line on the statement of operations.

Accumulated additions to the business systems transformation project of \$5,640 (2019; \$4,532) have not yet been amortized, as they are not substantially complete or available for use at April 30, 2020.

7. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$2,086 (2019; \$1,782), which relate to sales tax, payroll remittances and oversight fees charged by the MGCS.

8. Lease inducements

Lease inducements are generated from a leasehold improvement allowance and free rental period rental equalization, which amounted to \$2,629. As of April 30, 2020 the remaining balance of the inducement is \$1,864 (2019; \$2,079). The lease inducements and rent free period are amortized over the term of the lease.

	<u>2020 Net Book Value</u>	<u>2019 Net Book Value</u>
Rent free period	\$ 591	\$ 613
Leasehold improvement allowance	<u>1,273</u>	<u>1,466</u>
Lease inducements	\$ 1,864	\$ 2,079
Current portion	<u>245</u>	<u>215</u>
	<u>\$ 1,619</u>	<u>\$ 1,864</u>

Technical Standards and Safety Authority

Notes to Financial Statements

(In thousands of dollars)

April 30, 2020

9. Allocation of expenses

Direct labour and benefits expenses of \$2,564 (2019; \$2,472) have been allocated to non-regulatory business expenses.

Corporate support expenses of \$28,590 (2019; \$30,287) have been allocated as follows:

	<u>2020</u>	<u>2019</u>
Regulatory business expenses	\$ 26,578	\$ 28,383
Non-regulatory business expenses	<u>2,012</u>	<u>1,904</u>
	<u>\$ 28,590</u>	<u>\$ 30,287</u>

10. Supplemental cash flow information

Change in non-cash working capital items:

	<u>2020</u>	<u>2019</u>
Accounts receivable	\$ 724	\$ (188)
Prepaid expenses	275	(509)
Accounts payable and accrued liabilities, net of deferred lease inducements	971	(780)
Deferred revenue	<u>1,076</u>	<u>(708)</u>
	<u>\$ 3,046</u>	<u>\$ (2,185)</u>

11. Pension plans

TSSA has established defined contribution pension plans for its employees. Contributions by TSSA on account of current service pension costs paid and expensed amounted to \$2,209 (2019; \$2,206).

12. Indemnification of directors and officers

TSSA has indemnified its past, present and future directors and officers against expenses (including legal expenses), judgments and any amount actually or reasonably incurred by them in connection with any action, suit or proceeding in which the directors and officers are personally named as a result of their service, provided they acted honestly and in good faith with a view to the best interest of TSSA. The nature of the indemnity prevents TSSA from reasonably estimating the maximum exposure. TSSA has purchased directors' and officers' liability insurance with respect to this indemnification.

13. Internally restricted and unrestricted net assets

TSSA has an approved internally restricted reserve to ensure sufficient capital is maintained for continued services and to allow for significant unforeseen economic events. This policy, approved by the Board, sets a threshold target internally restricted reserve level of 25% of budgeted regulatory and non-regulatory operating expenses, excluding expenses associated with Board-approved strategic initiatives. The Board considers the sum of the internally restricted reserve and unrestricted net assets to be the total reserve. As at April 30, 2020, the total reserve was \$26,774 (2019; \$27,348). The unrestricted net assets balance of \$12,827 (2019; \$13,401) represents funding for future business initiatives.

Technical Standards and Safety Authority

Notes to Financial Statements

(In thousands of dollars)

April 30, 2020

14. Capital disclosures

TSSA's capital is its net assets as reflected in the statement of financial position. Within net assets, TSSA manages its internally restricted reserve and unrestricted reserve, as described fully in Note 13. TSSA's primary objective of enhancing public safety is supported by safeguarding its assets and ensuring it remains financially viable through effective risk-based planning, investment and cost management policies and procedures. TSSA manages its capital structure through its strategic planning process, as approved by the Board. This includes an annual budget of revenue and expenses, investments in capital assets and intangible assets and management of cash and interest-bearing short-term/long-term investments. There are no externally imposed restrictions on its capital structure.

15. Commitments and contingencies

Operating facility

Under the terms of its banking agreement, TSSA has available a demand operating facility of up to \$750. This facility bears interest at TSSA's bank's prime rate plus 0.25% per annum and is secured by a general security agreement over TSSA's assets and assignment of fire and business interruption insurance. As at April 30, 2020, \$Nil (2019; \$Nil) was drawn on the facility.

Subsequent to year end, TSSA opened a new line of credit with a borrowing limit up to \$10,000. This facility bears interest at TSSA's bank's prime rate plus 0% per annum and replaces the demand operating facility of \$750 in place at April 30, 2020.

Lease obligations

TSSA leases office space, cloud-based online services, vehicles and equipment. Future minimum payments, by year and in the aggregate, under operating leases with initial or remaining terms of one year or more, consist of the following:

2021	\$	1,834
2022		1,754
2023		1,553
2024		1,256
2025 and thereafter		<u>1,887</u>
	\$	<u>8,284</u>

Litigations

TSSA has been named as defendant in certain litigations alleging actual and punitive damages. The possible outcomes or any settlements are not determinable at April 30, 2020. Accordingly, no provision has been made in the financial statements for these claims. However, it is management's belief that the ultimate outcome will not materially affect TSSA's financial position. Settlement, if any, will be accounted for during the period of resolution.

Technical Standards and Safety Authority

Notes to Financial Statements

(In thousands of dollars)

April 30, 2020

16. Revenues and expenses by program

TSSA operates on a fee-for-service basis under the TSS Act. The revenues and expenses of each of the four programs operated by TSSA under the Act, and the revenues and expenses arising from non-regulatory operations, are as follows:

	Elevating and amusement devices	Fuels	Boilers, pressure vessels and operating engineers	Upholstered and stuffed articles	Non-regulatory business	2020
Revenue	\$ 25,545	\$ 22,097	\$ 17,503	\$ 1,020	\$ 7,038	\$ 73,203
Expense	<u>23,991</u>	<u>25,089</u>	<u>19,137</u>	<u>285</u>	<u>5,011</u>	<u>73,513</u>
Excess(deficiency) of revenues over expenses	\$ 1,554	\$ (2,992)	\$ (1,634)	\$ 735	\$ 2,027	\$ (310)

	Elevating and amusement devices	Fuels	Boilers, pressure vessels and operating engineers	Upholstered and stuffed articles	Non-regulatory business	2019
Revenue	\$ 25,829	\$ 22,177	\$ 16,186	\$ 4,700	\$ 6,653	\$ 75,545
Expense	<u>24,637</u>	<u>24,782</u>	<u>18,481</u>	<u>2,180</u>	<u>4,765</u>	<u>74,845</u>
Excess(deficiency) of revenues over expenses	\$ 1,192	\$ (2,605)	\$ (2,295)	\$ 2,520	\$ 1,888	\$ 700

The Government of Ontario revoked the Upholstered and Stuffed Articles regulation under the TSS Act effective July 1, 2019. As a result, this program's operations were discontinued as at that date.

Technical Standards and Safety Authority

Notes to Financial Statements

(In thousands of dollars)

April 30, 2020

17. COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19) a global pandemic. The spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to organizations worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

On March 24, 2020, the Province of Ontario ordered a closure of non-essential businesses. TSSA was deemed an essential service, and therefore exempt from the closure order. In response to the COVID-19 pandemic, TSSA has continued to fulfill its responsibilities for the administration of the TSS Act, and management has implemented various cost-containment strategies to manage resources and cash flows.

As the declaration of COVID-19 as a global pandemic and Canada's response occurred prior to April 30, 2020, TSSA has accounted for the impact of the pandemic and related government measures on these financial statements as at April 30, 2020. Management also recognizes that COVID-19 will impact future operations, but as the duration and impact of the pandemic as well as the response and effectiveness of government and central bank programs remains unclear at this time, it is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of TSSA for future periods. As TSSA continues to provide required services under the TSS Act, management believes there is no material uncertainty regarding TSSA's ability to continue as a going concern.

18. Comparative figures

Certain comparative figures have been reclassified to conform to changes in the current year presentation.

Corporate Information

TSSA's Board of Directors

Lynda Bowles

Former Audit Partner, Deloitte LLP

JoAnne Butler

Former Vice-President, Market & Resource Development, Independent Electricity System Operator

Christin Carmichael Greb (as of June 2019)

Former Toronto City Councilor
Corporate Director

Brian Chu

Founding partner of Bogart Robertson & Chu LLP

Robert J. Falconi, Chair (as of May 2019, Member as of January 2019)

Managing Director, Raylee Valley Group LLC, Former Executive Vice President, Chief Legal and Government Affairs Officer, General Counsel and Corporate Secretary, CSA Group

Douglas Harrison, Vice Chair (to May 2019), Member (to October 2019)

Former President and CEO, VersaCold

Debbie Heiser

Vice President Finance, Aramark Canada

Norm Inkster, Chair (to May 2019)

President, Inkster Incorporated Inc.

Michael Lees

Former President, Babcock & Wilcox Nuclear Energy

Peter Marcucci (as of October 2019)

Former Vice President and Chief Public Safety Officer of Electrical Safety Authority

Brian McQueen (as of September 2019)

Former President and Chief Executive, CWB Group Industry Services

Elaine Pitcher

Barrister and Solicitor, Elaine Pitcher Law Office

Connie Roveto (to September 2019)

President, Cirenity Management

Robert Sicard

Former President and CEO, UPI Energy LP and UPI Holdings Inc.

Wendy Tilford

Former Deputy Minister at the Ministry of Government and Consumer Services, Economic Development and Trade, Research and Innovation, and a member of the Executive Development Committee and Public Service Commission

Helle Tosine

Senior Associate, Optimus SBR Management Consulting

Board Committees

Each TSSA director is an active member of one of four committees: Audit, Finance and Risk Committee; Governance and Human Resources Committee; Safety and Regulatory Affairs Committee; and TSSA 20/20 (OASIS) Program Committee. Providing oversight in governance, reporting, fiduciary and legal duties, each member plays an important role in guiding TSSA's safety strategies.

Audit, Finance and Risk Committee

Michael Lees, Chair

Norm Inkster, Ex-Officio Voting Member (to May 2019)

Robert J. Falconi, Ex-Officio Voting Member (as of May 2019)

Deborah Heiser, Member

Connie Roveto, Member (to September 2019)

Robert Sicard, Member

Lynda Bowles, Member (as of October 2019)

Governance and Human Resources Committee

Brian Chu, Chair (as of June 2019)

JoAnne Butler, Chair (to June 2019)

Norm Inkster, Ex-Officio Voting Member (to May 2019)

Robert J. Falconi, Ex-Officio Voting Member (as of May 2019)

Lynda Bowles, Member (to June 2019)

Douglas Harrison, Member (to June 2019)

Helle Tosine, Member (to June 2019)

Robert Sicard, Member

Elaine Pitcher, Member (as of June 2019)

Brian McQueen, Member (as of October 2019)

Safety and Regulatory Affairs Committee

Elaine Pitcher, Chair

Norm Inkster, Ex-Officio Voting Member (to May 2019)

Robert J. Falconi, Ex-Officio Voting Member (as of May 2019)

Brian Chu, Member (to June 2019)

Wendy Tilford, Member

Helle Tosine, Member (as of June 2019)

Christin Carmichael-Greb, Member (as of June 2019)

Peter Marcucci, Member (as of October 2019)

TSSA 20/20 (OASIS) Program Committee

Douglas Harrison, Chair (to June 2019)

Mike Lees, Chair (as of June 2019)

Norm Inkster, Ex-Officio Voting Member (to May 2019)

Robert J. Falconi, Ex-Officio Voting Member (as of May 2019)

Debbie Heiser, Member

Wendy Tilford, Member (to June 2019)

Lynda Bowles, Member (as of June 2019)

Board Remuneration and TSSA Pay Policy

Executive compensation and other non-financial awards associated with Board remuneration play an important role in corporate governance and allow TSSA to attract skilled and experienced directors. Similarly, TSSA's Pay Policy seeks to attract and retain essential technical and corporate resources through competitive compensation. Both policies strictly follow transparent and fiscally responsible compensation practices.

For additional information on Board remuneration and TSSA's Pay Policy, please visit www.tssa.org.

Issues Management

As TSSA seeks to continually improve customer satisfaction/value and its high standards of safety service, we address aspects of dissatisfaction according to the level at which they are raised. Complaints requiring greater attention are escalated to senior personnel, up to and including statutory directors or the President and CEO. TSSA's Ombudsman provides additional support, engaging both staff and industry members to effectively resolve issues and develop ideas for improving the ways in which TSSA delivers its services. In addition, any employee, regulated party or member of the public who suspects unethical, inappropriate or unlawful behaviour can communicate anonymously to a third-party whistle blowing service.

French Language Services

TSSA continually monitors French language requests to best determine the linguistic level of service and meet public safety and customer service needs. For more information on TSSA's French Language Services Policy, please contact TSSA toll-free at 1-877-682-8772.

TSSA's Executive Leadership Team

Bonnie Rose

President and CEO

Tom Ayres

Vice President and General Counsel

Dan Brazier

Chief Financial Officer

Alexandra Campbell

Vice President, Communications & Stakeholder Relations

Laura Desjardins

Vice President, Human Resources

Celso Mello

Chief Information Officer

Nashir Jiwani (as of February 7, 2020)

Interim Vice President, Operations

Peter Wong (to February 3, 2020)

Vice President, Operations

TSSA's Statutory Appointments

The individuals listed below are designated as Director or Chief Officer under Ontario's *Technical Standards and Safety Act, 2000* and/or specific regulations.

Dean McLellan

Director, Elevating and Amusement Devices Safety Program (as of July 18, 2019)

Roger Neate

Director, Elevating and Amusement Devices Safety Program (to July 17, 2019)

Roger Neate

Director, Boilers and Pressure Vessels and Operating Engineers (as of July 17, 2019)

Mike Adams, M.Eng., P.Eng., PMP

Director, Boilers and Pressure Vessels and Operating Engineers,
Operating Engineers (to June 28, 2019)

John Marshall, BA, CIGC, CFEI

Director, Fuels Safety Program

Industry Advisory Councils

Industry input and advice on TSSA's safety strategies, initiatives and service delivery is essential to the continued safety of Ontarians. Since TSSA's creation, the organization has pursued this effective form of collaboration through its nine industry Advisory Councils. Council Chairs are listed below.

Cindy Sypher

Amusement Devices

Joe Adams

Boilers and Pressure Vessels

Kelly Leitch

Elevating Devices

Brent Francis

Liquid Fuels

Martin Luymes

Natural Gas

Rodney Philip

Operating Engineers

David Karn

Propane

Kevin Nichol

Ski Lifts

Consumers Advisory Council

Advocating for public interest in TSSA safety matters, the Consumers Advisory Council provides essential input into TSSA services, policies and actions. Members are listed below.

G. Rae Dulmage, Chair

Ahmad Hussein, Member

Elizabeth Nielsen, Member

Kathryn Woodcock, Member

Ronald Morrison, Member

Jay Jackson, Member

For more information on Advisory Councils, including minutes of meetings, please visit www.tssa.org.

Scorecard for 2020

Objective	Measure	Fiscal Year 2019 Results	Fiscal Year 2020 Target	Fiscal Year 2020 Results
Safety Awareness, Active Compliance				
Reduced Health Impacts	Risk of Injury or Fatality ¹	0.86 FE/Mpy	0.77 FE/Mpy	0.72 FE/Mpy
Active Regulatory Compliance	Percentage of low risk inventory ²	88.6%	90.5%	88.5%
Engaged People and Effective Teams				
Culture Transformation	Training	N/A	People leader training complete	People leader training completed
Employee Health and Safety	Lost time incident frequency rate	N/A	0.5	0.21
Service Excellence				
Customer Service	% of submitted BPV COIs with expiry >40 days	N/A	<10%	9.2%
Solid Operational Foundation				
Efficiency of safety service delivery	Cost per core safety service hour ³	\$288	\$309	\$296
Operational Sustainability	Net margin ⁴	\$5.39 Million	-\$0.443 Million	\$2.7 Million

¹ The predicted severity of risk of injury or fatality to someone interacting with TSSA-regulated devices or technologies in Ontario; expressed in fatality-equivalents (FE) per million persons per year (Mpy)

² The percentage of TSSA-regulated devices or facilities in the province of Ontario with a low potential risk of injury or fatality. Updated risk model was applied to both 2019 and 2020 results

³ Total operating costs less TSSA OASIS Program and less strategic initiatives and one-time items divided by total core safety service hours

⁴ Net Margin excluding TSSA OASIS Program and one-time items



Technical Standards and Safety Authority

345 Carlingview Drive
Toronto, Ontario M9W 6N9
Tel: 416-734-3300
Fax: 416-231-1626
Toll Free: 1-877-682-8772 (TSSA)
Email: customerservices@tssa.org

www.tssa.org