LEISURE FACILITIES
Research Brief

Sustainable Industry Classification System™ (SICS™) #SV0204
Research Briefing Prepared by the
Sustainability Accounting Standards Board®
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LEISURE FACILITIES

Research Brief

SASB’s Industry Brief provides evidence for the material sustainability issues in the Leisure Facilities industry. The brief opens with a summary of the industry, including relevant legislative and regulatory trends and sustainability risks and opportunities. Following this, evidence for each material sustainability issue (in the categories of Environment, Social Capital, Human Capital, Business Model and Innovation, and Leadership and Governance) is presented. SASB’s Industry Brief can be used to understand the data underlying SASB Sustainability Accounting Standards. For accounting metrics and disclosure guidance, please see SASB’s Sustainability Accounting Standards. For information about the legal basis for SASB and SASB’s standards development process, please see the Conceptual Framework.

SASB identifies the minimum set of sustainability issues likely to be material for companies within a given industry. However, the final determination of materiality is the onus of the company.

Related Documents

- Leisure Facilities Sustainability Accounting Standards
- Industry Working Group Participants
- SASB Conceptual Framework

INDUSTRY LEAD

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INTRODUCTION

The Leisure Facilities industry encompasses multiple industry subsegments that consumers utilize for leisure activities, such as amusement parks, movie theaters, ski resorts, sport venues, and leisure clubs and facilities. These industries provide consumers with a source of entertainment, relaxation, and attribute to consumer health and fitness. These activities can be necessary to help reenergize the workforce and provide children and families with a source of entertainment that can contribute to their emotional wellbeing. Large industry subsegments contribute to the economy through the creation of jobs. For example, the amusement park industry is responsible for over 600,000 year-round and seasonal jobs within the U.S. and contributes approximately $57 billion to the U.S. economy.¹

The Leisure Facilities industry operates large buildings and outdoor spaces that utilize large quantities of energy. Industry participants have identified opportunities to improve energy efficiency that will help reduce their greenhouse gas emissions and generate operational cost savings. Additionally, the industry is susceptible to concerns over consumer and employee safety that can result in serious injury or even death. For example, according to a study conducted by the Center for Injury Research and Policy at Nationwide Children’s Hospital, over 4,400 children are injured every year on amusement park rides. While most injuries are not serious, some resulted in hospitalization. In 2011, over 297 million children and adults visited amusement parks, riding over 1.7 billion rides within the U.S.²

While safety issues and injuries are rare relative to the number of guests attending amusement parks every year, the large magnitude of these events can create significant reputational risks for industry operators. Public perception and the lack of consistent regulatory oversight into the safety of many of the industry’s facilities are making safety an important issue to self-manage.

Management (or mismanagement) of material sustainability issues, therefore, has the potential to affect company valuation through impacts on profits, assets, liabilities, and cost of capital.

Investors would obtain a more holistic and comparable view of performance with Leisure Facilities companies’ reporting metrics on the material sustainability risks and opportunities

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**SUSTAINABILITY DISCLOSURE TOPICS**

**ENVIRONMENT**
- Energy Management

**SOCIAL CAPITAL**
- Customer & Worker Safety

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¹ Source: National Park and Recreation Association

² Source: Center for Injury Research and Policy at Nationwide Children’s Hospital
that could affect value in the near and long term in their regulatory filings. Enhanced reporting will provide investors with a more holistic (and comparable) view of performance that includes both positive and negative externalities, and of the non-financial forms of capital that firms in this industry rely on to create long term value.

Specifically, performance on the following sustainability issues will drive competitiveness within the Leisure Facilities industry:

- Energy Management as it relates to the industry’s use of energy and its ability to improve efficiency and reduce costs;
- Customer & Worker Safety with respect to industry subsegments that are prone to high-magnitude safety concerns that can lead to consumer and employee injuries that may tarnish company reputations.

**INDUSTRY SUMMARY**

The Leisure Facilities industry is made up of companies that operate entertainment, travel, and leisure facilities and services. Companies in this industry can be broken down into five segments: (1) amusement theme parks, (2) leisure clubs and facilities, (3) movie theaters, (4) performance arts and museum activities, and (5) pro sports-related venues.¹

Leisure Facilities companies are usually concentrated on one segment, such as Vail Resorts functioning solely in the skiing resort and facilities market. Very few companies participate in multiple aspects of the industry. One notable exception is the Walt Disney Company, which is primarily a media company, but earns 31 percent of their revenue from amusement parks and other leisure facilities.³ Companies in this industry serve customers at various locations around the world but are mostly concentrated in the U.S.

The global Leisure Facilities industry generates more than $100 billion in revenue. In 2013, the largest of these segments was amusement and theme parks, followed by movie theaters, generating around 31 and 16 percent of industry revenue respectively.⁴ Companies traded on U.S. exchanges, as well as those primarily traded over-the-counter, generate approximately $34 billion from the industry. In 2013, the median operating margin for U.S.-traded companies across the industry was 9.85 percent, while the median net profit margin was 5.19 percent.⁵

The Leisure Facilities industry is very cyclical, and correlated to the overall health of the economy. When the economy contracts, leisure activities is one of the first places where people...

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¹ Industry composition is based on the mapping of the Sustainable Industry Classification System (SICS™) to the Bloomberg Industry Classification System (BICS). A list of representative companies appears in Appendix I.
cut discretionary spending. As the economy rebounds from the recession, the leisure facilities industry typically experiences significant growth, although some segments will continue to face challenges. Key industry drivers are employment levels, consumer confidence, disposable income, and domestic and international travel. The industry is experiencing a wave of consolidation in a segment that result in high barriers to entry, especially among ski resorts (a subset of leisure clubs and facilities) and amusement theme parks, where large companies acquire or squeeze out smaller players. For example, in 2014, Vail Resorts acquired Park City Mountain Resort in Utah for $182.5 million, further expanding its footprint in the Utah mountain region. Vail Resorts combined the new terrain with its existing Canyon resort and created the largest skiable area in the United States. In other segments such as movie theaters, consolidation has been slower in the last few years.

Operators of amusement theme parks are particularly exposed to changes in discretionary spending and leisure travel to the U.S. In 2009, during the most recent recession, operators were able to raise ticket prices. This maintained a 2.1 percent annual growth over the five years leading to 2013, with a jump of 5.4 percent in 2013. The amusement theme park market is saturated and highly concentrated with the six biggest companies controlling 86 percent of the market. In response to lower growth, operators in this segment are introducing new attractions and targeting international visitors to attract the valuable leisure time of Americans. In addition, operators are looking to expand to international locations in fast-growing economies, like China and the United Arab Emirates. However, these markets are still contributing only a small portion of total revenues, compared with the U.S. and European markets.

While macroeconomic factors are favorable to most segments in this industry, the movie theater segment is facing an overall decline of ticket sales. This is due to increased competition from alternate in-home platforms, including online and on-demand video. The theater segment is expected to grow annually at a rate of 1.7 percent over the next five years, reaching $15.8 billion in 2018. While slower growth has resulted in market consolidation, the movie theater segment is still moderately concentrated, as the four largest players accounted for only 52.4% of total movie theater industry revenue in 2013.

Technological advances are changing the way people spend their free time. With the increase of availability of televisions, computers, and streaming content via the internet, people spend the most time in front of their TV (2.8 hours), followed by computers (25 minutes). With advances in high-definition and 3-D technology and an increased affordability, fewer people may opt for in-person experiences at the movie theaters and sporting events,
LEGISLATIVE AND REGULATORY TRENDS IN THE LEISURE FACILITIES INDUSTRY

The following section provides a brief summary of key regulations and legislative efforts related to this industry.11

Operators of leisure facilities must provide quality experiences to attract guests and to maintain profitability.19, 20 Among other things, consumer experience is driven by safety of operations and their physical environment, which are both subject to a patchwork of legislation and industry associations’ guidelines.

Depending on the nature of their operations, leisure facilities can face stringent safety protocols and regulations. Facilities that operate cafeterias and restaurants are subject to the Food and Drug Administration policies, which enforce all food-related public safety regulations. Facilities must also comply with federal accessibility standards set by the Americans with Disabilities Act of 1990.21 In addition, the U.S. Department of Labor’s Occupational Safety and Health Administration was created under the Occupational Safety and Health Act of 1970 by the Department of Labor to assure safe and healthy environments and working conditions.22 Protocols require that walkways, working surfaces, storerooms and service rooms are clean and free of obstructions to abate the risk of accidents.23 Amusement theme parks, for example, can be high-risk environments if the grounds are not maintained and the staff and visitors are not aware of safety measures. Most states regulate amusement parks, and only five of the 49 U.S. states with amusement parks do not fully enforce relevant legislation. Currently, there are no safety regulations or oversight on the federal level for permanently fixed amusement park rides. Instead, industry safety practices are self-regulated, which leads to inconsistent safety procedures and performance. In turn, that can lead to legal liabilities for negligence.24

The American Society for Testing and Materials International provides voluntary standards for amusement park rides and uses a committee to set protocols on design, testing, manufacturing, maintenance, inspection, and quality assurance.25 Moreover, companies like the Walt Disney Company and sporting venues like MetLife Stadium, often have their own safety and security standards.26 For example, MetLife Stadium’s standard addresses a range of topics, including alcohol consumption, bag searches, and service animals.27

Often taking up large landmasses, leisure facilities impact (and are impacted by) their

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11 This section does not purport to contain a comprehensive review of all regulations related to this industry, but is intended to highlight some ways in which regulatory trends are impacting the industry.
physical surroundings and natural environments. Six Flags Entertainment Corporation alone occupies around 4,500 acres of land, with an additional 1,100 acres of land for potential development. Companies are held to local, state, and federal regulations that control air emissions, water contamination, disposal of waste and other materials, and land use. Ski resorts must obtain permits from the U.S. Department of Agriculture’s Forest Service to operate ski areas and construct facilities on National Forest land. In addition to granting permits, the 1986 Ski Area Permit Act also requires a master development plan that’s approved by the Forest Service. For amusement parks with water attractions, regulations exist at every level of the government on water and wastewater operation, chemicals management, recycling and conservation, and discharge protocols. In the U.S., the Environmental Protection Agency regulates these impacts through policies such as the Clean Water Act. The Clean Water Act prohibits point source discharge of pollutants into waters of the U.S. without permits, including restaurant cleaning product runoff, solid waste storage areas, or parking lot runoff into storm drains. Despite the lack of industry guidelines, U.S. operators are driving sustainability and conservation efforts. For example, Chaos Water Park in Wisconsin uses sphagnum moss to clean its water, requiring 90 percent fewer pool chemicals.

SUSTAINABILITY-RELATED RISKS AND OPPORTUNITIES

Industry drivers and recent regulations suggest that traditional value drivers will continue to impact financial performance. However, intangible assets such as social, human, and environmental capitals, company leadership and governance, and the company’s ability to innovate to address these issues are likely to increasingly contribute to financial and business value.

Broad industry trends and characteristics are driving the importance of sustainability performance in the Leisure Facilities industry:

- **Use of natural capitals**: The industry utilizes large quantities of energy and have a great potential to improve efficiency, which helps to limit indirect greenhouse gas emissions while reducing costs, improving profitability.
- **Accident exposure**: Some industry operators are prone to consumer and employee safety concerns surrounding the use of recreational and amusement facilities. Failure to implement and effectively manage a culture of safety can lead to consumer and employee injuries that generate reputational risks that materially harm industry participants.
As described above, the regulatory and legislative environment surrounding the Leisure Facilities industry emphasizes the importance of sustainability management and safety performance. Specifically, recent trends suggest a regulatory emphasis on consumer safety, which will serve to align the interests of society with those of investors.

The following section provides a brief description of each sustainability issue that is likely to have material implications for companies in the Leisure Facilities industry. This includes an explanation of how the issue could impact valuation and evidence of actual financial impact. Further information on the nature of the value impact, based on SASB’s research and analysis, is provided in Appendix IIA and IIB. Appendix IIA also provides a summary of the evidence of investor interest in the issues. This is based on a systematic analysis of companies’ 10-K and 20-F filings, shareholder resolutions, and other public documents. It is also based on the results of consultation with experts participating in an industry-working group convened by SASB.

A summary of the recommended disclosure framework and accounting metrics appears in Appendix III. The complete SASB standards for the industry, including technical protocols, can be downloaded from www.sasb.org. Finally, Appendix IV provides an analysis of the quality of current disclosure on these issues in SEC filings by the leading companies in the industry.

ENVIRONMENT

The environmental dimension of sustainability includes corporate impacts on the environment. This could be through the use of natural resources as inputs to the factors of production (e.g., water, minerals, ecosystems, and biodiversity) or environmental externalities and harmful releases in the environment, such as air and water pollution, waste disposal, and GHG emissions.

The Leisure Facilities industry utilizes energy as a key input for operating large outdoor recreational facilities and buildings. This energy consumption contributes to the indirect release of carbon emissions, which can contribute to climate change. Energy expenditures can represent a large portion of a company’s cost of operations, making efficiency an important issue.

Energy Management

Companies operating in the Leisure Facilities industry rely heavily on energy in order to power lighting and rides, as well as large heating, ventilation, and air conditioning units (HVAC) in buildings and parks. Indirect fossil fuel-based energy production and consumption contribute to significant environmental impacts. This includes the release of greenhouse gas emissions and pollution that have the potential to indirectly, yet materially, impact the results
of leisure companies’ operations through higher energy prices.

It is important to manage energy usage in the context of rising costs of fossil fuel-based energy, which creates incentives for energy efficiency and renewable energy. Companies that manage this issue have a considerable cost advantage over other firms and reduced energy pricing risk.

Company performance in this area can be analyzed internally and externally through the following direct or indirect performance metrics (see Appendix III for metrics with their full detail):

- Total energy consumed, percentage grid electricity, percentage renewable.

Evidence

Amusement parks purchase large amounts of energy to operate rides and power a large area of land with ornate lights. Energy costs represent a significant expense for some leisure facilities, and can run as high as 10 percent of revenues for some businesses. This leads to high operating leverage, as a large part of these costs are fixed. In 2006, Walt Disney Company used approximately 1.5 billion kilowatt hours (kWh) of grid electricity and indirectly produced 839,000 metric tons of CO₂-equivalent greenhouse gases at its theme parks and resorts. Over the last five years, operators of amusement parks have started to focus on energy conservation and have built long-term programs around it with very specific goals. The Walt Disney Company reduced overall electricity consumption in its amusement parks by more than 10 percent in 2013. As a relative measure of consumption, this 10 percent reduction can power the company’s famous ride, Space Mountain, for 35 years, or three parks for a year. Reducing electricity usage led to direct cost savings and greater profits. Six Flags launched an energy-saving initiative in 2009 at the same time it filed for bankruptcy protection under Chapter 11, to reduce high energy costs.

Ski resorts are also taking steps to preserve energy by using alternative energy, energy-efficient measures, and green building techniques. The National Ski Areas Association, an industry trade group, has provided support to firms in the industry to invest in alternative energy. In 2012, Vail Resorts announced that it had reduced its electricity and natural gas usage by 10.75 percent by investing in efficient operations over the last four years. Aside from the cost savings, these energy savings are equivalent to a reduction of 22,801 metric tons in CO₂ emissions. Energy at ski resorts is largely used to power snow guns, water pumps, and air systems that are used to make snow. In 2012, Vail Resorts-owned Breckenridge replaced 150 snow guns with high-efficiency equipment that use 75 percent less energy. The upgrade will save the resort over 1 million kWh of energy per year. At a statewide level, Vail Resorts has also invested over $4 million in recent years to upgrade their
Colorado resorts’ snowmaking equipment to be more energy efficient, resulting in a savings of over 6 million kWh per year.\textsuperscript{42} One theme park worked with an energy consultant firm to save over $475,000 a year by adjusting equipment and training staff, which required no capital investment in new equipment.\textsuperscript{43}

Some movie theaters are being retrofitted, along with the building of new theaters with energy-efficient fixtures such as LED light bulbs, lighting motion sensors, new HVAC systems, and new technology. Additionally, some companies are pursuing new energy-efficient building certifications for new theaters. These facilities are expected to consume 25 percent less energy than traditional movie theaters over the life of the building, resulting in substantial savings on energy costs.\textsuperscript{44}

Managing energy usage is becoming increasingly important in light of rising energy costs. In the U.S., the average retail price of electricity for the commercial end-use sector has gone from 7.25 cents per kWh in 2001 to 11 cents per kWh in 2014.\textsuperscript{45} The U.S. Energy Information Administration (EIA)’s long-term projections show that nominal electricity prices paid by the commercial end-use sector will increase to around 18.5 cents per kWh by 2040 in the reference case. This represents an increase of 2.4 percent annually.\textsuperscript{46}

Value Impact
Management of energy efficiency, energy independence and energy-mix (including renewable energy) is key to the profitability and risk profile of companies in the Leisure Facilities industry.

Cost savings can be achieved through energy efficiency as well as energy source optimization. At the same time, efforts to improve energy efficiency or reduce dependence on specific types of energy can require additional capital expenditures. While the cost of energy consumption is already captured in financial results, overall energy consumption levels provide a sense of firms’ exposure to possible future increases in energy prices, resulting from energy providers internalizing the growing environmental and social impacts of energy consumption.

As a significant portion of operating costs for Leisure Facilities companies come from purchased electricity, decisions about on-site versus sourced electricity and diversification of energy sources can also influence the volatility and price of energy costs. This can have an impact on their long-term profitability and ultimately their risk profile and cost of capital.

The more electricity a company uses from the grid, the more vulnerable it is to rising prices of specific energy sources and the indirect impact of costs from internalization of carbon prices by utilities. The use of independent energy sources (non-grid) also indicates a degree of control and a company’s ability to provide continuous energy for its facilities. The percentage energy from renewables indicates a firm’s ability to
mitigate its environmental footprint and its exposure to energy cost increases.

### SOCIAL CAPITAL

Social capital relates to the perceived role of business in society, or the expectation of business contribution to society in return for its license to operate. It addresses the management of relationships with key outside stakeholders, such as customers, local communities, the public, and the government. It includes issues around access to products and services, affordability, responsible business practices, and customer privacy.

Leisure facilities cater to individuals and play an important role in rejuvenating the workforce and entertaining children. The public perception of consumer safety determines the sale of the services provided by companies in this industry. The industry is prone to low-probability but high-magnitude safety concerns that can harm industry reputations. Effective management of consumer safety concerns will help to protect company reputations’ and shareholder value.

Employees are a major factor of production for leisure facility companies. Workers in amusement parks and ski resorts are particularly prone to injury during daily operations and maintenance activities that can result in closure of facilities and fines. Companies can manage the issue of employee safety by laying out detailed policies on working conditions. Such policies will allow investors to identify companies that have lower risks for such accidents and the consequential public backlash and/or lawsuits.

### Customer & Worker Safety

The Leisure Facilities industry operates facilities that can be dangerous for customers and employees who are exposed to injuries and fatalities, which can have a large influence on company operations. Customer safety is important for both the public and companies’ reputations. Any misstep in safety management can result in serious or fatal injuries. Therefore, the provision of safe facilities is critical for companies to safeguard their reputations, grow revenues, and to avoid litigation costs. This issue predominately covers amusement park and recreational resort operators. However, movie theaters and sporting venues may face issues with managing large crowds of people, as well as issues serving alcohol, that require safety precautions.

Amusement parks are commonly scrutinized for consumer safety. Regulation of fixed-site rides is currently under the jurisdiction of individual states. There are different, sometimes inconsistent, definitions of “injury,” as well as inconsistent laws related to safety standards, injury reporting requirements, or mandatory inspections. In addition, park inspections can be done either by the state or by a third party, such as an insurance company.\(^{47}\) Such a
patchwork of regulation creates loopholes in the system. For example, in some states, amusement parks are not required to report the number of accidents, or submit investigation reports, to any authority or governing body. To date, bills introduced for federal regulation of amusement parks have been rejected, but growing public concern may lead to a different outcome in the future, potentially adding considerable maintenance and reporting costs for operators of amusement parks.

Safety concerns in leisure facilities can also present a significant threat to employees if the facilities and equipment are not maintained, or if precautions and training procedures are not in place. The Occupational Safety and Health Administration (OSHA) levies fines on any employee safety violation, but the biggest financial impact is from abatement costs and negative impacts on brand reputation.

Company performance on safety management can be analyzed internally and externally through the following performance metrics (see Appendix III for metrics with their full detail):

- Customer fatality and injury rates;
- Total recordable employee injury rate and near miss frequency rate;
- Percentage of facilities inspected for safety and percentage failed.

**Evidence**

Companies operating leisure clubs and facilities, and sporting venues face similar consumer safety issues. According to the National Ski Areas Association, on average, about 41 people die every year from skiing or snowboarding. The common aspect in these segments is that the services provided have an inherent element of risk. Thus, companies must build facilities that maximize the leisure experience and minimize the inherent risks of the activity.

In their annual reports filed with the SEC, industry players like Vail Resorts, Six Flags, and Madison Square Garden recognize the risks associated with accidents that may involve customers or employees. Amusement parks and ski resorts have experienced numerous safety incidents that have resulted in significant loss of revenues or cost of litigation. Loss of revenues may be due to consumer backlash and boycotts and/or closure of attractions for a long time period. Six Flags reported 14 injuries between 2009 and 2013 on its Texas Giant roller coaster. These injuries were followed by periods of inspection, during which the ride had to be closed. Closing rides for a long period leads to lower revenues, particularly if the ride is a major attraction, or if the accident happens during the peak summer and holiday seasons. In July 2013, a women fell to her death on the Texas Giant roller coaster, an event that resulted in the company missing its Wall Street revenue and profit estimates for the quarter as guest attendance declined at the Dallas-area park. Additionally, the company set aside over $3 million to cover
legal expenses associated with a lawsuit from the accident.\textsuperscript{54}

Six Flags recognizes the material risk of accidents occurring at its parks in its form 10-K, stating: “[o]ur brand and our reputation are among our most important assets. Our ability to attract and retain customers depends, in part, upon the external perceptions of the Company, the quality and safety of our parks and services and our corporate and management integrity. (...) An accident or an injury (including water-borne illnesses on water rides) at any of our parks or at parks operated by our competitors, particularly accidents or injuries involving the safety of guests and employees, and the media coverage thereof, could negatively impact our brand or reputation, reduce attendance at our parks, cause a decrease in revenues and negatively impact our results of operations.” The company further emphasizes the increasing nature of this issue through the expansion of social media, which could “compound the potential scope of the negative publicity that could be generated by such incidents.”\textsuperscript{55}

Cost of litigation can be significant and can directly impact profits of amusement park operators. It is estimated that Disney paid about $25 million to settle a case of death and significant injury on its Sailing Ship Columbia ride.\textsuperscript{56} Ski resorts face similar litigation risks. A skier sued Vail Resorts for $350,000 in damages after being seriously injured in a collision with an employee.\textsuperscript{57} Regardless of their outcomes, such lawsuits create contingent liabilities for companies, and can adversely impact the reputations and operations of leisure facilities.

Walt Disney Company, within its amusement parks faced over 140 personal injury lawsuits between 2008 and 2012. This creates a litigation burden on the company, and highlights the risk companies can face from failing to manage consumer safety.\textsuperscript{58} While this may seem small compared to the large number of total visitors attending the company’s theme parks every year, these events can still create a largely negative perception of the company’s safety culture, which can influence reputation and guest attendance.

Additionally, amusement parks allow employees to operate in close proximity of dangerous rides and equipment. In many instances, OSHA has sanctioned amusement parks for safety violations following fatal accidents. In March 2011, a mechanic died while performing maintenance on one of Disney World’s roller coaster rides. OSHA investigated the incident, and in September 2011, cited Disney for operational and safety failures and recommended a fine of $69,000, as well as corrective actions to avoid future accidents. The ride was closed for six months due to federal investigation and refurbishments.\textsuperscript{59} In 2013, according to the Bureau of Labor Statistics data, over five workers were fatally injured on the job in the Amusement Parks and Arcades industry.\textsuperscript{60}
Although the OSHA fines are immaterial for large amusement park operators such as Disney, the financial impact from chronic fines, lost revenues, additional safety investments, and reputational damage can have a material, adverse effect on industry participants.

Currently, there is no federal agency with authority to investigate serious accidents or set corrective actions to prevent further injuries at permanent amusement parks. Meanwhile, some states maintain their own level of regulation and inspection to ensure ride safety. The lack of consistent industry regulation covering safety of amusement rides makes safety management an even more important issue for the industry, allowing it the opportunity to self-regulate and develop its own voluntary safety programs.

The Madison Square Garden Company, the manager of a large sports stadium, has established safety procedures for managing large crowds of people. These procedures cover safety concerns, including: safe alcohol management, bag searches, entry and exit strategies, first aid, and use of service animals. The company recognizes the risk of potential accidents and injuries specifically in its Form 10-K, stating that “[t]here are inherent risks associated with producing and hosting events and operating, maintaining or renovating our venues. As a result, personal injuries, accidents and other incidents have occurred and may occur from time to time, which could subject us to claims and liabilities. Incidents in connection with events at any of our venues could also reduce attendance at our events, and cause a decrease in our revenue and operating income.”

Value Impact

Whether they occur due to mechanical failure or human error on the part of customers or employees, accidents can negatively affect the reputation of Leisure Facilities companies, with acute and long-term impacts on revenue and market share as guests may switch to competitors with better safety practices. Chronic accidents and safety issues are likely to have a long-term impact on a company’s reputation and its intangible assets. Accidents also lead to extraordinary expenditures and contingent liabilities related to compensation of victims and regulatory sanctions, which can have an acute impact on value. Poor safety records can lead to lower growth projections for revenue and profits and an increased risk profile, resulting in credit rating downgrades, increased insurance premiums, and higher costs of capital.

Customer and employee injury rates provide measures of past safety management and an indication of future performance. The number of facility safety inspections—and the percentage passed—provide a sense of how proactively companies are managing the safety of leisure facilities.
REFERENCES


3 Author’s calculation based on data from Bloomberg Professional service, accessed December 2, 2014 using Equity Screen (EQS) for U.S.-listed companies (including those traded primarily OTC) that generate at least 20 percent of revenue from their Leisure Facilities segment and for which the Leisure Facilities industry is a primary SICS industry.

4 Bloomberg Professional service, accessed October 1, 2014, using the BICS <GO> command. The data represents global revenues of companies listed on global exchanges and traded over-the-counter (OTC) from the Leisure Facilities industry, using Levels 3 and 4 of the Bloomberg Industry Classification System.

5 Author’s calculation based on data from Bloomberg Professional service, accessed October 6, 2014 using Equity Screen (EQS) for U.S.-listed companies (including those traded primarily OTC) that generate at least 20 percent of revenue from their Leisure Facilities segment and for which the Leisure Facility industry is a primary SICS industry.


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28 Six Flags Entertainment Corporation FY 2012 Form 10-K for the Fiscal Year Ending December 31, 2012, p.3. (Filed February 27, 13)

29 Six Flags Entertainment Corporation FY 2012 Form 10-K for the Fiscal Year Ending December 31, 2012, p.13. (Filed February 27, 13)


Six Flags Entertainment Corporation FY 2012 Form 10-K for the Fiscal Year Ending December 31, 2012, p.19. (Filed February 27, 13)


Six Flags Entertainment Corporation FY 2012 Form 10-K for the Fiscal Year Ending December 31, 2012, p.19. (Filed February 27, 13)


Madison Square Garden Company, FY2012 Form 10-K for the Fiscal Year Ending June 30, 2013, p.30 (Filed August 20, 2013)
APPENDIX I:
Five Representative Leisure Facilities Companies

<table>
<thead>
<tr>
<th>COMPANY NAME (TICKER SYMBOL)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Six Flags Entertainment Corp. (SIX)</td>
</tr>
<tr>
<td>Regal Entertainment Group (RGC)</td>
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<tr>
<td>Cedar Fair L.P. (FUN)</td>
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<tr>
<td>The Madison Square Garden Company (MSG)</td>
</tr>
<tr>
<td>Vail Resorts Inc. (MTN)</td>
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</tbody>
</table>

This list includes five companies representative of the Leisure Facilities industry and its activities. This includes only companies for which the Leisure Facilities industry is the primary industry, companies that are U.S.-listed but are not primarily traded Over-the-Counter, and for which at least 20 percent of revenue is generated by activities in this industry, according to the latest information available on Bloomberg Professional Services. Retrieved on October 1, 2014.
### APPENDIX IIA:
Evidence for Sustainability Disclosure Topics

<table>
<thead>
<tr>
<th>Sustainability Disclosure Topics</th>
<th>EVIDENCE OF INTEREST</th>
<th>EVIDENCE OF FINANCIAL IMPACT</th>
<th>FORWARD-LOOKING IMPACT</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HM (1-100)</td>
<td>IWGs % Priority</td>
<td>Revenue &amp; Cost</td>
</tr>
<tr>
<td>Energy Management</td>
<td>38</td>
<td>83</td>
<td>1</td>
</tr>
<tr>
<td>Customer &amp; Worker Safety</td>
<td>67*</td>
<td>92</td>
<td>2</td>
</tr>
</tbody>
</table>

**HM:** Heat Map, a score out of 100 indicating the relative importance of the topic among SASB's initial list of 43 generic sustainability issues; asterisks indicate "top issues." The score is based on the frequency of relevant keywords in documents (i.e., 10-Ks, 20-Fs, shareholder resolutions, legal news, news articles, and corporate sustainability reports) that are available on the Bloomberg terminal for the industry's publicly-listed companies; issues for which keyword frequency is in the top quartile are "top issues."

**IWGs:** SASB Industry Working Groups

%: The percentage of IWG participants that found the disclosure topic to likely constitute material information for companies in the industry. (-) denotes that the issue was added after the IWG was convened.

**Priority:** Average ranking of the issue in terms of importance. One denotes the most important issue. (-) denotes that the issue was added after the IWG was convened.

**EI:** Evidence of Interest, a subjective assessment based on quantitative and qualitative findings.

**EFI:** Evidence of Financial Impact, a subjective assessment based on quantitative and qualitative findings.

**FLI:** Forward Looking Impact, a subjective assessment on the presence of a material forward-looking impact.
APPENDIX IIB: Evidence of Financial Impact for Sustainability Disclosure Topics

<table>
<thead>
<tr>
<th>Evidence of Financial Impact</th>
<th>Revenue</th>
<th>Operating Expenses</th>
<th>Non-operating Expenses</th>
<th>Assets</th>
<th>Liabilities</th>
<th>Cost of Capital</th>
<th>Industry Divestment Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy Management</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer &amp; Worker Safety</td>
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<td></td>
<td></td>
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</tr>
</tbody>
</table>

- MEDIUM IMPACT
- HIGH IMPACT

- Revenue
- Operating Expenses
- Non-operating Expenses
- Assets
- Liabilities
- Cost of Capital
- Industry Divestment Risk
APPENDIX III:
Sustainability Accounting Metrics | Leisure Facilities

<table>
<thead>
<tr>
<th>TOPIC</th>
<th>ACCOUNTING METRIC</th>
<th>CATEGORY</th>
<th>UNIT OF MEASURE</th>
<th>CODE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy Management</td>
<td>Total energy consumed, percentage grid electricity, percentage renewable</td>
<td>Quantitative</td>
<td>Gigajoules (GJ), Percentage (%)</td>
<td>SV0204-01</td>
</tr>
<tr>
<td>Customer &amp; Worker Safety</td>
<td>Customer (1) fatality rate and (2) injury rate*</td>
<td>Quantitative</td>
<td>Rate</td>
<td>SV0204-02</td>
</tr>
<tr>
<td></td>
<td>Employee (1) Total Recordable Injury Rate and (2) Near Miss Frequency Rate</td>
<td>Quantitative</td>
<td>Rate</td>
<td>SV0204-03</td>
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<tr>
<td></td>
<td>Percentage of facilities inspected for safety, percentage failed</td>
<td>Quantitative</td>
<td>Percentage (%)</td>
<td>SV0204-04</td>
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</tbody>
</table>

*Note to SV0204-02 Disclosure shall include a description of serious incidents, outcomes, and corrective actions implemented in response.
The following graph demonstrates an aggregate assessment of how representative U.S.-listed Leisure Facilities companies are currently reporting on sustainability topics in their SEC annual filings.

**APPENDIX IV: Analysis of SEC Disclosures | Leisure Facilities**

**TYPE OF DISCLOSURE ON SUSTAINABILITY TOPICS**

<table>
<thead>
<tr>
<th>Leisure Facilities</th>
<th>0%</th>
<th>10%</th>
<th>20%</th>
<th>30%</th>
<th>40%</th>
<th>50%</th>
<th>60%</th>
<th>70%</th>
<th>80%</th>
<th>90%</th>
<th>100%</th>
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</thead>
<tbody>
<tr>
<td>Energy Management</td>
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<td>83%</td>
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<td>Customer &amp; Worker Safety</td>
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<td>92%</td>
</tr>
</tbody>
</table>

IWG Feedback*  
*Percentage of IWG participants that agreed topic was likely to constitute material information for companies in the industry.