How value can be co-created through CSR: Evidence from Gaming Tourism Industry in Macao

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ABSTRACT

Purpose
The objective of this paper is to address the question of how value can be created through CSR disclosure in gaming tourism industry. In addition, the paper also investigates how industry players use CSR disclosure as an effective communication channel to maximize the transparency, built trust with their stakeholders and in turn bring positive social value to the society.

Design/methodology/approach
This research applied content analysis method. Data was collected from the annual reports and corporate website of all gaming operators from 2011 to 2015. The results are also tied to the related contents in the government’s report on gaming tourism industry. Further analysis is conducted based on the public statistical data for exploring and quantifying the social value co-created by the industry players along with their variety stakeholder groups.

Findings
Findings of the study show that sustainability of the companies in gaming tourism industry is built with the participation of variety stakeholder groups, like consumers/customers, government, community, suppliers, employees. CSR disclosure becomes an important media that fuels the pride, trust, and consistency of the members of the value chain. It also suggests working together with the stakeholders can live up to the values that companies promised and ultimately supports sustainability.

Originality/value
The extant co-creation literature mainly focuses on the interaction between firm and their consumers. This paper extends the topic to other stakeholder groups, such as community, employee, government and etc. In addition, this is one of the first studies on value co-creation via CSR disclosure based on companies in gaming tourism industry, especially in a region under “one country, two systems”. Last but not least, the paper is pioneering in exploring how companies use CSR reporting to whiten their image and restore social value from gaming operation, the typical vice sector integrated with tourism business.

1 Authors with equal contribution.
Introduction

Gambling as one element of tourism is closely linked with the objective of tourism promotion and effective profit-making (Przybylski, 1998). With the diversification of competition mechanism and fast development of marketization, the gaming industry has been gradually formed in conjunction with the hospitality, catering, leisure, entertainment and exhibition sectors and has thus effectively combined with tourism. Therefore, the gaming tourism is considered as a giant industry and has experienced rapid expansion with unprecedented speed in the past decades (Goodman, 1996).

Conflict always exists between corporate social responsibility (CSR) and the profit-seeking purpose in the gaming tourism sector. For example, problem gambling and money laundering are two specific challenges that the industry is facing. However, prior studies on this industry mainly focus on its impact, marketing and management strategies (see Vong and McCartney, 2005; Lee and Back, 2006; Chhabra, 2007; Lee, 2010) and have left out a large unexplored area related to the CSR literature (Jones et al., 2009). CSR has been an important topic and widely discussed in a variety of business studies (Gray et al., 1995a), and is considered as a strategic mechanism to improve the business image and to placate pressure stakeholders in controversial industries such as gambling (Porter and Kramer, 2006).

Gaming tourism is the backbone industry in the Macao Special Administrative Region (SAR) of China. In 2015, the gaming tax generated more than 50% of Macao’s total fiscal revenue (DSEC, 2015). Recently, “Macao’s gross revenue generated from the industry has even exceeded the Las Vegas Strip, which makes it the largest gaming city in the world” (Macau Business, 2014). The success of the gaming tourism business in Macao is primarily due to the policy support by the central government and the government of the Macao SAR, the robust investment by entrepreneurs and the preference in gaming by Asian tourists. The rapid development of the gambling sector stimulates stakeholders’ concern on its social impact. Meanwhile, the public’s perception towards CSR activities undertaken by gaming companies is also increasingly strengthened.
To fill in the gap aforementioned, this study attempts to conduct CSR research in a typical vice sector, namely the gaming tourism industry (Deegan and Blomquist, 2006) and to particularly explore “what” and “how” social values can be co-created by companies and their stakeholders through CSR.

**Literature review**

**CSR and value co-creation**

The traditional school of thought defines co-creation as a general concept that includes all the “specific occurrences” in which companies and consumers create value through interaction (Vargo and Lusch, 2008). From a broader viewpoint, co-creation is described as “a shift in thinking from the organization as a definer of value to a more participative process where people and organizations together generate and develop meaning” (Ind and Coats, 2013, p.86).

It is pointed out by Hatch and Schultz (2010) that majority of the studies in the field has been conducted with customers and marketers and little attention has been paid on other stakeholder groups. Thus, this paper contributes to the extant literature through studying value co-created by companies along with their various stakeholder groups and specifically from a CSR perspective.

CSR value co-creation is a kind of “strategic alliance among the firm, consumers, business and non-business players in ethically, responsibly and innovatively creating socio-economic and environmental gains” (Baumgartner and Ebner, 2010, p.79). If a company intend to achieve sustainable development, it is essential to “recognize the importance of identifying and understanding the needs and interests of all stakeholders and the value that is created in the interaction with them” (Biggemann et al., 2014, p.306). Based on stakeholders theory, companies are expected to promote concrete socially desirable actions and value co-creation for the sake of interest groups (Clarkson, 1995; Baleb, 2008). Biggemann et al. (2014, p.306) highlight that stakeholders can be classified into primary and secondary groups according to the role they play and the influence they place on the firm’s performance. Primary group includes employees, consumers, investors, suppliers, government and community which are “essential for a company’s survival”. While secondary group refers to the media, trade associations, not-for-profit organizations and other interest groups which “have less influence on the
company’s performance”. Maignan et al. (2005) emphasizes that various groups of stakeholders can exert pressure on firms to take desirable actions for fulfilling their particular interests.

**CSR in the gaming tourism industry**

Gaming has long been characterized as a controversial industry. From the point of view of a government, there may be considerable benefits to endorse or legalize gaming in its jurisdiction, such as the generation of significant amount of revenues in terms of taxation, investment and employment (Miller and Michelson, 2012; Schwartz, 2003). Nevertheless, despite the positive impacts of the financial benefits that can be generated from the gaming operations, gaming can potentially result in adverse social and economic consequences (Hancock et al., 2008; Miller and Michelson, 2012) such as problem gambling, bankruptcy, family disputes and crimes. Thus, gaming has occasionally been labeled by the general public as a “sinful” activity, and it may be challenged in terms of its legitimacy (Cai et al., 2012; Lindorff et al., 2012; Miller and Michelson, 2012). This controversy can be further complicated by the fact that governments may become increasingly reliant on the revenues derived from gaming (Hancock et al., 2008).

Taking into account the controversy that exists in judging the gaming industry, a number of prior researches have been conducted to study the impacts brought about by the gaming industry to the economy and society, as well as the stakeholders’ perceptions upon those impacts (Back and Lee, 2006; Buultjens, 2006; Hing, 2006; Siu, 2006; Vong and McCartney, 2005). On the other hand, various researches have been conducted on the gaming industry in respect of its legitimacy of existence, the possible harm minimization measures that could be undertaken to maximize the benefits while minimizing the costs that are caused by the gaming operations to the stakeholders, the economy and the general society, as well as policies that could ensure that gaming operations are to be maintained in a socially responsible and accountable manner for the sake of public interest (Hancock et al., 2008; Lindorff et al., 2012; Miller and Michelson, 2012; Smith and Rubenstein, 2011). Among these, some studies have been conducted from the angle of CSR in order to understand what roles CSR can actually play in the gaming industry, as it has been considered as a plausible approach to resolve the abovementioned negative social impacts. Specifically, gaming operators are interested in managing their operations in a socially acceptable manner and in implementing socially sound practices, as they perceive that their
effort in ensuring sustainability in the course of their operations (such as by lowering the negative impacts from gambling) becomes a necessity for attaining noticeable improvements in their competitiveness (Song et al., 2012). Hence, the expectations for CSR on gaming operators are to some extent driven by the community’s reactions towards the potential harms they perceive and also by the degrees of individual, economic and societal impacts that are associated with gaming. With the emergence of gaming as a globalized industry, gaming operators around the world, as well as international networks of those who are interested in the impacts of the gaming industry (such as researchers, regulators, governments, treatment experts, etc.) have become involved in defining, measuring and theorizing the social, economic and broader cultural impacts of the emerging gaming markets (Hancock et al., 2008).

In regards to the aspects of CSR efforts within the gaming industry, prior studies have suggested that the strongest support for CSR actions by the industry players is to allocate funding to coordinate, monitor and enforce responsible gambling (Hing, 2001; Miller and Michelson, 2012). In other words, responsible gambling has become a strategy, action or policy taken by gaming operators to minimize the negative impacts on casino patrons on one hand, while providing benefits to the local community on the other hand (Monaghan, 2009). Furthermore, they have begun to take responsible gambling as a strategy for guaranteeing their long-term sustainable development. Therefore, many gaming operators have been exercising a number of approaches, such as employee training, self-exclusion, and/or self-limitation policies (Song et al., 2012). In this way, responsible gambling will be able to fit into their CSR strategy with a broader sense (Lee et al., 2012). However, variations among individual gaming operators in respect of their willingness to provide more ethical actions have been found. These include the provision of better information on their products, advertising restrictions, staff training, as well as liaison with community agencies (Hing, 2001; Miller and Michelson, 2012).

In addition, it is recognized that communities with casino facilities should constantly monitor their capability of handling issues associated with gaming operations and their capability of seeking ways to minimize the potential negative economic, environmental and social-cultural consequences that may arise from gambling (Carmichael et al., 1996; Lee and Back, 2006; Wan, 2012). Thus, it is suggested that an understanding of the triple bottom line impacts of casinos is
essential for ensuring the sustainable development and management of many destinations with casinos in them (Wan, 2012). In coincidence with this proposition, the “triple bottom line” is the foundation of Elkington’s (1998) CSR disclosure principle, which is to look into the impacts of the business operations from the social, economic and environmental dimensions. In this sense, the “triple bottom line” is being recognized as a crucial instrument to facilitate the investigation of the CSR practices and disclosures adopted in the gaming industry.

**Value co-creation with stakeholders in Macao’s industry setting**

The dominance of gaming tourism industry in Macao has resulted in continuous economic and social resources inclination towards the gaming operators in order to sustain the industry and the overall economic development in Macao. With the industry’s evident growth in the recent years, the stakeholders have been experiencing positive impacts such as more job opportunities, higher income, better infrastructure and more leisure and entertainment choices. On the other side, negative impacts like income disparity, community conflicts, gambling disorder and traffic congestion have become the costs attached. When the industry was in the boom during the past decade, the stakeholders may be satisfied with the positive values that they enjoyed. However, the recent downturn of Macao’s gaming revenue since 2014 has increasingly aroused the stakeholders’ concern on the negative outcomes of the industry operations and the potential risk factors that the past overdependence on the gaming sector might bring to the future development of the gaming tourism industry and the Macao economy and society.

In response to the stakeholders’ concerns, the gaming operators in Macao have been involving in various CSR activities and release the related information to their stakeholders through their CSR reporting in annual reports and websites. Meanwhile, the Macao SAR government has initiated an interim review on the gaming tourism industry in 2015 (with result released in May 2016) to assess the gaming operators’ performance in committing their stakeholders. In view that CSR could be a critical perspective to assess the value co-created by Macao’s gaming tourism industry players and their stakeholders, this study examines “what” and “how” this value co-creation is established through CSR by analyzing CSR reporting contents. Furthermore, the paper investigates how the industry players use CSR disclosure as an effective communication
channel to maximize the transparency, build trust with their stakeholders and in turn bring positive social value to the society.

**Method and Approach**

This study conducts content analysis on voluntary CSR reporting of the gaming operators based on their annual reports and websites. It reviews the CSR disclosure contents of the six listed companies in the gaming tourism industry in Macao. They are Galaxy Entertainment Group Limited (Galaxy), Melco International Development Limited (Melco), SJM Holdings (SJM), Wynn Macau, Limited (Wynn), Sands China Ltd. (Sands) and MGM China Holdings Limited (MGM). Meanwhile, the analysis of website contents will cover the disclosure in the companies’ corporate websites where CSR-related activities and perspectives were mentioned. The content being studied is retrieved from the websites as available on July 30, 2016. The purpose is to investigate “what” and “to whom” CSR activities had been performed during the observed period, 2011-2015. According to Neumann (2003, p.219): “... content analysis is a technique for gathering and analyzing the content of text. The content refers to words, meanings, pictures, symbols, ideas, themes, or messages that can be communicated.” Holsti (1969, p.14) provides a broader definition of content analysis as “any technique for making inferences by objectively and systematically identifying specified characteristics of messages.’ He states that ‘only the manifest attributes of text may be coded . . . [from which] inferences about latent meanings of messages are permitted” (Holsti, 1969, p.598). This technique has been widely used in the CSR academia during the past decades (Gray *et al.*, 1995; Adams *et al.*, 1995; Adams and Harte, 1999; Perrini, 2006; Mirfazli, 2008).

However, while companies show concern about sustainability and report on their social actions and achievements through corporate websites and annual reports, it is argued that the objective of such publications and the focus of these social programs are unclear (Baumgartner and Ebner, 2010). CSR strategies may be guided by internal and external CSR orientation wherever the organization contributes to value along the chain. Internally, a company may be able to plan and communicate its aim, however, externally the company may be reliant on the actions and reactions of other parties that form the networks in which they operate. The value of CSR is difficult to quantify (Salzmann *et al.*, 2005) because economic value only materializes in the long term. In fact, Spence and Bourlakis (2009) argue that there is no evidence of positive results
from CSR activities. Thus quantifying the value of sustainability programs and social projects is not the only difficulty; identifying the beneficiaries of such value, if existing at all, is also an issue. So, the question is not only about how much value is created but also how it is distributed. To mitigate these limitations, the results of content analysis are further tied to the gaming industry interim review report issued by the Macao government in May, 2016 in which the CSR performances of gaming operators has been examined by using survey approach for the same observed period, 2011-2015. Last but not the least, further investigation effort is placed on the positive social impacts and value delivered by the gaming operators through analyzing the data obtained from Statistics Bureau of the Macao SAR, mainly for the interests of the aforementioned primary stakeholder groups.

Findings and discussions

The results of content analysis demonstrate the CSR information related to society/community, government and employee accounts for the most significant portion of the overall contents (see Table One and Table Two). Supplier and customer, the two ends of the value chain were left behind with very limited exposure. For website disclosure, Galaxy becomes the best performer and MGM is in the second place (see Table One). The ranking is changed when referring to the CSR reporting in the annual reports (see Table Two). MGM becomes the leader while Sands and Galaxy take the second and third positions. Following sections discuss the types of CSR activities reported by the observed companies and the social value these industry players have co-created with respective stakeholder groups.

[Insert Table One and Two here]

Government

According to the content analysis result (see Table Three), responsible gambling and legal compliance are the two CSR aspects that the six gaming operators have undertaken, mainly for making response to government’s call. For responsible gambling, all the observed companies advertise related information to their team members and patrons. In addition, they provide training to staff and representatives on identifying problem gambling behavior and offer assistance to players regarding problem gambling issues around the clock. For legal compliance, it is noted all the observed companies take methods to ensure the indoor air quality in compliance
with the regime of Tobacco Prevention and Control. The gaming operators disclose this information is mainly for taking the responsibility to ensure their operating conditions complying with the concession and subconcession contracts signed with the government including the fulfilment of social responsibility (refer to the contracts available at www.dicj.gov.mo).

Besides, tax income is another important area that the gaming sector contributes to the Macao government. According to the statistical data, the proportion of gaming tax towards total tax income has been increasing from 57.6% in 2003 to 87.6% in 2014 (Bulletin, 2015). In addition, the sufficient fiscal surplus creates considerable flexibilities for the government to build up infrastructures to meet the demands of the local community.

*Society and community*

Disclosures related to society and community aspects mainly refer to transportation/accommodation arrangements for overseas employees, supporting SMEs, local procurement and development of non-gaming elements in the tourism industry. Majority of the operators have expressed their willingness to support the business of local SMEs. Information of variety types of supports for local enterprises has been disclosed, such as the sustainable procurement procedures engaged by Melco to support the creation of a healthy and beneficial business environment where SMEs can grow and flourish. Giving priority to local SMEs when looking for suppliers, provide meaningful interaction and opportunities for knowledge-sharing is another example which has been incorporated by many operators.

As mentioned in the concession and subconcession contracts, the gaming operators need to support the Macau SAR Government to foster new industries and accelerate the process of Macau’s economic diversification (refer to the contracts available at www.dicj.gov.mo). Recent years, the development of the gaming industry has created the added values of its related industries, like hospitality industry, wholesale and retail industry, construction industry, banking industry and catering industry. Statistical data shows a certain increase in the GDP of these industries and have generated an income of 23.2 billion Macao pataca (equivalent to 2.9 billion USD) in 2014 (Bulletin, 2015). In addition, the non-gaming sectors also have created a large amount of job
positions. In 2014, non-gaming employees accounted for 44% of the total number of employees in gaming operators (Bulletin, 2015).

As mentioned, creation of employment position is an important contribution made by the gaming operators. In CSR disclosure, it is stated majority of the employees engaged by the gaming operators were in the gaming field, the overall proportion of local employees is much higher than that of overseas employees. This can be reflected in statistics, till the end of 2014, the unemployment rate of local people has decreased to 1.7% which is the lowest level in the history.

In addition, making donation to charitable organizations, participated in charitable events and provide funding to educational institutions are the common CSR practice conducted by the gaming operators (see Table Three). According to the financial figures subtracted from the annual reports, the total donation made to the local and oversea community by the six gaming operators has reached to 289.7 million Macao pataca in 2014.

**Other stakeholders**

For employee, the disclosed CSR contents indicate that all of the six gaming operators provided opportunities for upward and lateral mobility to their employees, provide training and support for employee’s further education. They also strictly implement the security, health and safety programs to ensure a good working environment. For the sake of supplier, several gaming operators have supported SMEs by giving priority to local SMEs in procurement of services or products. Knowledge sharing seminars is another manner through which the gaming operator can help local suppliers to improve the quality of their product and service and ensure the quality is in line with international level. The observed companies did not report much CSR information related to consumer. Most common example is the established mechanisms that the gaming operators have established to handle consumer issues and enhance two-way communications.

In summary, based on the integrated analysis on CSR reporting and statistical data, the positive impacts of the gaming industry are mainly on local economy, business environment of small and medium-sized enterprises (SMEs), society and people’s livelihood. The gaming industry had delivered significant value to local economy and society in which a considerable portion comes
from their interactions with stakeholders. Besides, tourists in Macao participating in gaming activities have also contributed to non-gaming spending.

**Conclusion**

In conclusion, findings of this study show that sustainability of the companies in the gaming tourism industry is built with the participation of a variety of stakeholder groups, like consumers/customers, government, community, suppliers and employees. The social value co-created with these parties, mainly reflected by rapid GDP growth, increased fiscal reserves, relatively low unemployment rate sustained and creation of favorable conditions to drive the development of non-gaming industries in Macao. Furthermore, the result also shows CSR disclosure becomes an important media that fuels the pride, trust, and consistency of the members of the value chain. It suggests working together with the stakeholders can live up to the values that companies promised and ultimately supports sustainability.

As for the research contribution, this study contributes to the extant value co-creation literature by extending the topic to other stakeholder groups rather than only focuses on the interaction between firms and their consumers. In addition, this is one of the first studies on value co-creation via CSR disclosure based on companies in gaming tourism industry, especially in a region under the “one country, two systems”. Moreover, the paper is pioneering in exploring how companies use CSR reporting to whiten their image and restore social value from gaming operation, the typical vice sector integrated with tourism business. Last but not the least, the research findings can be served as an important reference for local government to refine their related regulations or guidelines in order to ensure the healthy and sustainable development of the gaming tourism industry. For future study, company level analysis and country level comparison can be conducted for further investigation in this area.
Reference list


Table 1: Number of CSR activities or events reported in corporate websites

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Galaxy</th>
<th>MGM</th>
<th>Sands</th>
<th>SJM</th>
<th>Melco</th>
<th>Wynn</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Society/community</td>
<td>222</td>
<td>123</td>
<td>32</td>
<td>26</td>
<td>31</td>
<td>24</td>
<td>458</td>
</tr>
<tr>
<td>Government</td>
<td>53</td>
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<td>12</td>
<td>0</td>
<td>12</td>
<td>7</td>
<td>115</td>
</tr>
<tr>
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<td>0</td>
<td>7</td>
<td>8</td>
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<td>71</td>
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<td>0</td>
<td>1</td>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>334</strong></td>
<td><strong>157</strong></td>
<td><strong>47</strong></td>
<td><strong>38</strong></td>
<td><strong>54</strong></td>
<td><strong>37</strong></td>
<td><strong>664</strong></td>
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</tbody>
</table>

Table 2: Total quantity of CSR information disclosed in 2011-2015 annual reports

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Galaxy</th>
<th>MGM</th>
<th>Sands</th>
<th>SJM</th>
<th>Melco</th>
<th>Wynn</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Society/community</td>
<td>336</td>
<td>509</td>
<td>560</td>
<td>194</td>
<td>104</td>
<td>46</td>
<td>1749</td>
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<tr>
<td>Government</td>
<td>83</td>
<td>77</td>
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<td>35</td>
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<tr>
<td>Employee</td>
<td>60</td>
<td>376</td>
<td>245</td>
<td>36</td>
<td>39</td>
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<td>3</td>
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<td>0</td>
<td>3</td>
<td>1</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>484</strong></td>
<td><strong>962</strong></td>
<td><strong>860</strong></td>
<td><strong>268</strong></td>
<td><strong>176</strong></td>
<td><strong>91</strong></td>
<td><strong>2841</strong></td>
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<tr>
<td>Company</td>
<td>Major CSR activities</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---------</td>
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<td></td>
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</tr>
</tbody>
</table>
| Galaxy  | • Donations/sponsorship made to local community, victims of natural disaster and students in rural areas.  
• Environmental protection and sustainability, energy and water saving, water and waste recycling and circulation  
• Provide training to employee for career development  
• Expand and upgrade its facilities for improving employee’s working environment  
• Support Tobacco Prevention and Control Law  
• Establish communication platforms for raising work-related feedback  
• Collaborated and participated in local community activities  
• Anti-corruption and anti-money laundering  
• Supplier Assessment for Impacts on Society  
• Close monitoring product and service quality  
• Create communication channel for customer feedback  
• Responsible gambling |
| MGM     | • Donate and raise fund for local community and rural areas  
• Implement SME engagement program  
• Sustainable procurement/Green purchasing  
• Water and energy saving  
• Recycling waste and control gas emission  
• Improve employee wellbeing and communication with employee, implement employee assistance program  
• Organize social events and gatherings  
• Training and education  
• Respect the human rights of employee, standing against forced labor and trafficking  
• Assess vendor code of conduct related to supplier  
• Support/sponsor the social events organized by government and community  
• Responsible gaming |
| Sands   | • Donation made to community, charitable society and educational institute  
• Launch SME support program  
• Saving water and energy |
- Implement green procurement and supply chain policy
- Recycling waste and control gas emission
- Diversity and equal opportunity
- Training and further education
- Participated and sponsor the social events organized by local community
- Open hotel facilities for public and educational institute use
- Responsible gaming

| SJM | Donation made to local community and charitable events
|     | Saving water and energy
|     | Reduce carbon emission
|     | Recycle waste
|     | Promote environmental protection
|     | Tobacco prevention and control
|     | Implement health and safety program
|     | Training and education
|     | Workforce diversity
|     | Data privacy
|     | Ensure food safety
|     | Responsible gaming

| Melco | Donation made to the local community, victims of natural disaster, charitable organizations
|      | Participate and sponsor charitable events
|      | Knowledge sharing with vendors/suppliers
|      | Encourage SME to create healthy and beneficial business
|      | Energy and water saving
|      | Reduce gas emission
|      | Recycle electronic device
|      | Job creation, ensure employment for local people
|      | Occupational health and safety management
|      | Training and further education
|      | Ensure diversity and equal opportunity

| Wynn | Donation made to local community
|      | Participate and support charitable events
|      | Support the business of SME; provide training and seminar to share knowledge with local SMEs
- Energy and water saving
- Recycle and minimize waste
- Employee assistance program
- Training and education
- Equal opportunity and non-discrimination
- Responsible gaming
## Appendix

### Quantity of CSR information disclosed in annual reports

<table>
<thead>
<tr>
<th>Stakeholders</th>
<th>Galaxy</th>
<th>MGM</th>
<th>Sands</th>
<th>SJM</th>
<th>Melco</th>
<th>Wynn</th>
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