

# **THE SIGNIFICANCE OF ENVIRONMENTAL LIABILITY DISCLOSURE: PETROLEUM COMPANIES IN MALAYSIA**

Prepared by: Subashini Saravanathan

## **ABSTRACT**

---

The objective of this study is to determine the factors that encourage reporting petroleum companies to disclose environmental liabilities and the factors that discourage non-reporting companies from disclosing environmental liabilities. Besides that, another main objective is to determine the extent that awareness of environmental issues contributes towards greater environmental liability disclosure among petroleum companies.

The data collection method used was the distribution of questionnaires. The questionnaires were administered to three petroleum companies located in Kuala Lumpur, Malaysia. The petroleum companies involved in this study are Shell Malaysia Berhad, Esso Mobil Malaysia Berhad and Petronas Dagangan Berhad. The data was analyzed through the usage of the Statistical Package for Social Science (SPSS) whereby frequency distributions, descriptive statistics, percentage total and cross tabulations were obtained to examine the responses.

The result revealed that all the petroleum companies surveyed disclosed environmental liabilities. The most influential factor in encouraging petroleum companies to disclose environmental liabilities was identified as government legislation, company's concern for the environment, revenue enhancement and increased environmental awareness among customers.

In order to improve the level of environmental disclosure among petroleum companies, several recommendations have been made. First of all, it is crucial to make environmental liability disclosure a mandatory act. Besides that, petroleum companies should take the initiative to develop technologies that can reduce environmental impacts arising from its operations. More quantitative information should also be taken into consideration to further enhance the disclosure of petroleum companies.