

## **ABSTRACT**

*The aim of this research is to examine the effect of environmental, social, and governance factors (ESG) on firm value with profitability as a mediating variable. The dependent variable in this research is firm value. While the independent variables are environmental factor, social factor, and governance factor also profitability (ROA) as a mediating variable.*

*The samples in this research were all companies listed in Indonesia Stock Exchange (IDX) which disclose environment, social, & governance factors information and available at Bloomberg from 2014 – 2015 consistently. Purposive sampling was used as a sampling method and obtained 109 samples. The analysis tool used is Structural Equation Modelling (SEM) with path analysis using AMOS software 24 version. Also, sobel test is conducted to examine the indirect effect strength of independent variable against dependent variable through mediating variable.*

*The results show that environmental and governance factors have positive and significant effect on profitability. Whereas, social factor has a negative and significant effect on profitability. Furthermore, environment and governance factors have negative and insignificant effect on firm value, while social factor has a positive and insignificant effect on firm value. This result also shows that profitability positively affects firm value. Moreover, profitability is able to mediate the relationship between environmental factor and firm value, also the relationship between governance factor and firm value.*

*Keywords : environmental factor, social factor, governance factor, firm value, profitability, Tobin's Q, and ROA.*