

ABSTRACT

Sustainable practice is an important thing to be applied by companies to continue maintaining their business so that their financial performance will increase. Profitability is the key to financial performance. In this case, it is necessary to conduct research on the development of sustainability practice and financial performance variables and the impact of these practices on the ROE of companies listed on the SRI-KEHATI index period 2013-2017.

This research aims to determine the development of variables (sustainability practice and ROE) in the study and to determine the impact of sustainability practice on ROE on the tested samples.

Data is obtained from financial statements and company annual reports period 2013-2017. The population of this study was 32 companies and the sample of 19 companies was obtained using non-probability purposive sampling method. The data analysis technique used in this research is multiple linear regressions.

Based on the data processing results, the average value of sustainability practice variable always increase every year while the average value of profitability tends to decrease. While from the regression analysis results show that sustainability practice has a negative impact to company profitability.

By this research, sustainability practice is a good thing to be implemented by the company, but by applying sustainability practice must pay attention to the costs incurred to realize CSR activities so that the implementation of sustainability practice will positively contribute to the companies' profitability.

Keywords: *sustainability practice, SRI-KEHATI Index, financial performance, ROE*