

REGULATION OF THE MUNICIPALITY OF TANGERANG
NUMBER 8 OF 2021

ON
REGIONAL-OWNED ENTERPRISES

BY THE BLESSINGS OF ALMIGHTY GOD

MAYOR OF TANGERANG,

- Considering:
- a. that in the management of Regional-Owned Enterprises, it is necessary to carry out good corporate governance in the form of regional public corporations and regional limited liability companies that will be able to support the economic development of the community in the region;
 - b. that developments regarding regional-owned enterprises must be able to compete in services to the community as well as in the role of being able to improve the lives of regional communities with existing business units in regional-owned enterprises;
 - c. that in order to be able to create regional-owned enterprises that are in accordance with good corporate governance, it is necessary to have a legal instrument in the establishment of regional-owned enterprises;
 - d. that based on the considerations as referred to in point a, point b, and point c, it is necessary to issue a Regional Regulation on Regional-Owned Enterprises;
- Observing:
1. Article 18 section (6) of the 1945 Constitution of the Republic of Indonesia;
 2. Law Number 2 of 1993 on Establishment of the Level II Municipality of Tangerang (State Gazette of the Republic of Indonesia of 1993 Number 18, Supplement to the State Gazette of the Republic of Indonesia Number 3518);
 3. Law Number 40 of 2007 on Limited Liability Companies (State Gazette of the Republic of Indonesia of 2007 Number 106, Supplement to the State Gazette of the Republic of Indonesia Number 4756);
 4. Law Number 23 of 2014 on Local Governments (State Gazette of the Republic of Indonesia of 2014 Number 244, Supplement to the State Gazette of the Republic of Indonesia Number 5587), as amended several times last by Law Number 9 of 2015 on the Second Amendment to Law Number 23 of 2014 on Local Governments (State Gazette of the Republic of Indonesia of 2015 Number 58,

- Supplement to the State Gazette of the Republic of Indonesia Number 5679);
5. Government Regulation Number 54 of 2017 on Regional-Owned Enterprises (State Gazette of the Republic of Indonesia of 2017 Number 305, Supplement to the State Gazette of the Republic of Indonesia Number 6173);
 6. Government Regulation Number 12 of 2019 on Regional Financial Management (State Gazette of the Republic of Indonesia of 2019 Number 42, Supplement to the State Gazette of the Republic of Indonesia Number 6322);
 7. Regulation of the Minister of Home Affairs Number 37 of 2018 on Appointment and Dismissal of Members of the Board of Supervisors or Members of Commissioners and Members of the Board of Directors of Regional-Owned Enterprises (State Bulletin of the Republic of Indonesia of 2018 Number 700);
 8. Regulation of the Minister of Home Affairs Number 118 of 2018 on Business Plans, Work Plans and Budgets, Cooperation, Reporting and Evaluation of Regional-Owned Enterprises (State Bulletin of the Republic of Indonesia of 2018 Number 155);

With the Joint Approval of
THE HOUSE OF REPRESENTATIVES OF THE MUNICIPALITY OF TANGERANG
and
THE MAYOR OF TANGERANG

HAS DECIDED:

To issue : REGIONAL REGULATION ON REGIONAL-OWNED ENTERPRISES.

CHAPTER I
GENERAL PROVISIONS

Article 1

In this Regional Regulation:

1. Region means the Municipality of Tangerang.
2. Central Government means the President of the Republic of Indonesia who holds the power of government of the Republic of Indonesia assisted by the Vice President and ministers as referred to in the 1945 Constitution of the Republic of Indonesia.
3. Local Government means the Mayor as an administering element of the Local Government who leads the implementation of government affairs that fall under the authority of the autonomous region.
4. Minister means the minister administering government home affairs.
5. Mayor means the Mayor of Tangerang.
6. Regional Apparatus means an assisting element of the Regional Head and the Regional House of Representatives in the implementation of Government Affairs which fall under the authority of the Region.
7. Regional Regulation (*Peraturan Daerah*), hereinafter referred to as Perda or by other names, means the Perda of the Municipality of Tangerang.

8. Regional-Owned Enterprise, hereinafter abbreviated to as ROE, means an enterprise that its shares are wholly or predominantly owned by the Region.
9. Regional Medium-Term Development Plan (*Rencana Pembangunan Jangka Menengah Daerah*), hereinafter abbreviated to as RPJMD, means a Regional planning document for a period of 5 (five) years.
10. Local Budget (*Anggaran Pendapatan dan Belanja Daerah*), hereinafter abbreviated as APBD, means an annual Regional financial plan determined by Perda.
11. Restricted Regional Asset means a Regional asset originating from the APBD to be used as Regional equity participation in ROE.
12. Restructuring means an effort made in the context of restructuring ROE as one of the strategic steps to improve the internal condition of ROE in order to improve performance and/or increase the value of ROE.
13. Privatization means the sale of shares of a Regional limited liability company in order to improve the performance and added value of the company, increase benefits for the Region and the community, and expand share ownership by the community.
14. Good Corporate Governance means a management system that directs and controls the company in order to produce sustainable economic benefits and balance relationships between stakeholders.
15. Regional House of Representatives (*Dewan Perwakilan Rakyat Daerah*), hereinafter abbreviated to as DPRD, means a representative body of the Regional people who serves as an administering element of the Local Government.
16. Regional Head Representing the Local Government in the Ownership of Restricted Regional Assets in a Regional public corporation, hereinafter abbreviated as KPM, means an organ of a Regional public corporation that holds the highest power in a Regional public corporation and holds all authority not delegated to the Board of Directors or Board of Supervisors.
17. General Meeting of Shareholders, hereinafter abbreviated to as GMS, means an organ of the Regional public corporation that holds the highest power in the Regional public corporation and holds all authority that is not delegated to the Board of Directors or the Board of Commissioners.
18. Board of Supervisors means an organ of a Regional public corporation whose duty is to supervise and provide advice to the Board of Directors in carrying out the management of the Regional public corporation.
19. Commissioner means an organ of a Regional public corporation in charge of supervising and providing advice to the Board of Directors in carrying out the management activities of the Regional public corporation.
20. Board of Directors means an organ of ROE that is responsible for the management of ROE for the interests and purposes of ROE and represents ROE both in and out

of court in accordance with the provisions of the articles of association.

21. Basic Service means a public service to fulfill the basic needs of citizens.
22. Fit and Proper Test (*Uji Kelayakan dan Kepatutan*), hereinafter abbreviated to as UKK, means a process to determine the fit and proper capability of a person to serve as a member of the Board of Supervisors or member of the Board of Commissioners and member of the Board of Directors of ROE.
23. Tantiem means an award given to the Board of Directors, Board of Commissioners and employees of the company if the company makes a profit.

CHAPTER II ROE POLICY

Article 2

- (1) The Mayor is the holder of financial management power of the Region and represents the Government of the Region in the ownership of Restricted Regional Assets.
- (2) The exercise of power as referred to in section (1) in ROE policy includes:
 - a. equity participation;
 - b. assignment;
 - c. subsidies;
 - d. use of results on Restricted Regional Assets management; and
 - e. guidance and supervision of equity participation in ROE.

Article 3

- (1) The Mayor represents the Local Government in the ownership of Restricted Regional Assets in:
 - a. Regional public corporations, acting as capital owners; and
 - b. Regional limited liability companies, acting as shareholders.
- (2) The Mayor as the owner of capital in a Regional public corporation or shareholder in a Regional limited liability company has the authority to make decisions.
- (3) The authority to make decisions as referred to in section (2) may be delegated to high-ranking officials as low as Echelon II.
- (4) The delegation of authority as referred to in section (3) includes, among others:
 - a. amendment to the articles of association;
 - b. transfer of fixed assets;
 - c. cooperation;
 - d. investment and financing, including the establishment of subsidiaries and/or equity participation;
 - e. Equity Participation of the Local Government sourced from capitalization of reserves, asset revaluation gains, and share premium;

- f. appointment and dismissal of the Board of Supervisors, Commissioners, and Directors;
 - g. income of the Board of Supervisors, Commissioners, and Directors;
 - h. determination of the amount of profit utilization;
 - i. ratification of the annual report;
 - j. merger, separation, consolidation, acquisition, and dissolution of ROE; and
 - k. asset guarantees amounting to more than 50% (fifty percent) of the total net assets of ROE in 1 (one) or more transactions.
- (5) The implementation of the authority as referred to in section (2) and section (3) may be given incentives sourced from the management of Restricted Regional Assets.
- (6) The number of incentives for implementing the authority as referred to in section (5) is determined based on:
- a. ROE performance target;
 - b. classification of the results of the management of Restricted Regional Assets according to the type of business field; and
 - c. ROE financial report.

CHAPTER III ESTABLISHMENT OF ROE

Part One General

Article 4

- (1) Region can establish ROEs.
- (2) The establishment of ROEs is determined by Perda.
- (3) ROEs consist of:
 - a. Regional public corporation; and
 - b. Regional limited liability company.
- (4) The position of a Regional public corporation as a legal entity is obtained when the Perda regulating the establishment of a Regional public corporation comes into force.
- (5) The position of a Regional limited liability company as a legal entity is obtained in accordance with the provisions of the legislation that regulates the establishment of limited liability companies.

Article 5

- (1) A Regional public corporation is a ROE whose entire capital is owned by one region and is not divided into shares.
- (2) A Regional limited liability company is a ROE in the form of a limited liability company whose capital is divided into shares, all or at least 51% (fifty-one percent) of which are owned by 1 (one) Region.

Article 6

- (1) Characteristics of ROE include:
 - a. business entity established by the Local Government;
 - b. the business entity owned by:
 - 1) 1 (one) Local Government;

- 2) more than 1 (one) Local Government;
 - 3) 1 (one) Local Government with non-Local Government; or
 - 4) more than 1 (one) Local Government with a non-Local Government.
- c. all or most of its capital as Restricted Regional Asset;
 - d. non-Regional apparatus organization; and
 - e. management by using business practices.
- (2) In the event of ROE owned by more than 1 (one) Local Government as referred to in section (1) of this Article (1) point b point 2 and point 4, share ownership must be owned by one of the Region by more than 51% (fifty one percent).

Part Two Purpose of Establishment of ROE

Article 7

The establishment of ROE aims to:

- a. provide benefits for the economy development of the Region;
- b. carry out public benefits in the form of providing quality goods and/or services for the fulfillment of people's lives in accordance with the conditions, characteristics and potential of the Region concerned based on good corporate governance; and
- c. obtain profits and/or gains.

Article 8

The establishment of Regional public corporation is prioritized in the context of organizing public benefits in the form of providing quality goods and/or services for the fulfillment of people's livelihoods in accordance with the conditions, characteristics and potential of the Region concerned based on good corporate governance.

Part Three Basis of Establishment of ROE

Article 9

- (1) The establishment of ROE is based on:
 - a. needs of the Region; and
 - b. feasibility of the ROE business field to be established.
- (2) Regional needs as referred to in section (1) point a are assessed through studies that cover aspects:
 - a. public services; and
 - b. community needs.
- (3) The feasibility of the ROE business field as referred to in section (1) point b is studied through an analysis of economic feasibility, market and marketing analysis, financial feasibility analysis, and analysis of other aspects.
- (4) Analysis of other aspects as referred to in section (3) contains aspects of:
 - a. legislation;
 - b. availability of technology; and
 - c. availability of human resources.

- (5) Regional needs based on the results of the needs assessment as referred to in section (2) and the results of the ROE business field feasibility study as referred to in section (3) is part of the RPJMD policy.
- (6) Funding for the study of Regional needs and the feasibility study of the ROE business field as referred to in section (3) comes from the APBD.

Article 10

- (1) The Mayor submits a proposal of ROE establishment plan to the Minister.
- (2) The proposal of ROE establishment plan as referred to in section (1) is attached by:
 - a. analysis of regional needs;
 - b. business feasibility analysis;
 - c. summary of financial statements of the Local Government for the last 3 (three) years;
 - d. Perda documents on the APBD for the last 3 (three) years; and
 - e. RPJMD documents.
- (3) In the event that the Minister approves the proposal for the establishment of ROE as referred to in section (1), the Region may draft a Perda governing the establishment of ROE.

Part Four

Perda on the Establishment of ROE

Article 11

- (1) Perda establishment of Regional public corporation at least contains:
 - a. name and domicile;
 - b. purpose and objectives;
 - c. business activities;
 - d. period of establishment;
 - e. the amount of authorized capital and paid-up capital;
 - f. duties and authority of the Board of Supervisors and Board of Directors; and
 - g. use of profits.
- (2) The Regional Regulation on the establishment of a Regional limited liability company at least contains:
 - a. name and domicile;
 - b. purpose and objectives;
 - c. business activities;
 - d. the period of establishment; and
 - e. the amount of authorized capital and paid-up capital.
- (3) In the event that the establishment of a Regional public corporation is carried out by transferring the duties and functions of a Regional apparatus or work unit, the Perda as referred to in section (1) also contains provisions regarding:
 - a. transfer of all or part of the Regional assets into Restricted Regional Assets; and/or
 - b. transfer of all or part of the rights and obligations of the Regional apparatus or work unit into the rights

- and obligations of the established Regional public corporation.
- (4) Provisions regarding the procedures for the transfer of Regional assets and the rights and obligations of Regional apparatus as referred to in section (3) shall be carried out in accordance with the provisions of legislation.

Part Five
Name and Place of Residence of ROE

Article 12

- (1) Regional public corporation must use a name that:
- a. has not been legally used by limited liability companies, public corporations, and other Regional public corporations or substantially the same as the names of limited liability companies, public corporations, and other Regional public corporations;
 - b. does not conflict with public interest and/or decency;
 - c. is different from the names of state institutions, Central Government institutions, and Local Government institutions;
 - d. is different from the name of an international institution, unless authorized by the relevant authority;
 - e. in accordance with the purpose and objectives, as well as business activities, or indicates the purpose and objectives of the Regional public corporation only without a personal name;
 - f. consists of numbers or series of numbers, letters or series of letters that form a word;
 - g. does not have the meaning of ROE, legal entity, or civil partnership; or
 - h. does not contain foreign language; or
 - i. complies with the provisions of legislation governing limited liability companies.
- (2) The name of a Regional public corporation is preceded by the words Regional public corporation or may be abbreviated as Perumda which is included before the name of the Company.

Article 13

- (1) A Regional public corporation has a domicile in the region of the founding Region as determined in the Perda on the establishment of a Regional public corporation.
- (2) The domicile as referred to in section (1) at the same time is the head office of the Regional public corporation.

Article 14

- (1) A Regional limited liability company must use a name that:
- a. has not been legally used by other limited liability companies, public corporation, and regional public corporation or is substantially the same as the name of other limited liability companies, public corporation, and regional public corporation;
 - b. does not conflict with public interest and/or decency;

- c. is different from the names of state institutions, Central Government Institutions, and Local Government institutions;
 - d. is different from the name of an international institution, unless authorized by the institution concerned;
 - e. in accordance with the purpose and objectives, as well as business activities, or only indicates the purpose and objectives of the Regional limited liability company without a personal name;
 - f. consists of numbers or series of numbers, letters or series of letters that form a word;
 - g. does not have the meaning of ROE, legal entity, or civil partnership;
 - h. does not contain foreign language; or
 - i. complies with the provisions of legislation governing limited liability companies.
- (2) In the event that the writing of the name of the Regional limited liability company is done in full, it is preceded by the words of Regional limited liability company followed by the name of the company.
 - (3) In the event that the writing of the name of a Regional liability company is done shortly, the word (Perseroda) is included after the abbreviation of PT and the company name.

Article 15

- (1) A Regional limited liability company has a domicile in the Region of the founder as determined in the Perda on the establishment of a Regional limited liability company.
- (2) The domicile as referred to in section (1) at the same time is the head office of the Regional limited liability company.

Part Six

Articles of Association of ROE

Paragraph 1

Articles of Association of Regional Public Corporation

Article 16

The articles of association of a Regional public corporation are regulated and form part of the Perda of establishment as referred to in Article 11 section (1).

Paragraph 2

Articles of Association of Regional limited liability company

Article 17

- (1) The articles of association of a Regional limited liability company are stated in a notarial deed in accordance with the provisions of legislation.
- (2) The articles of association of the limited liability company as referred to in section (1) contain:
 - a. name and domicile;
 - b. purpose and objectives;
 - c. business activities;

- d. period of establishment;
- e. the amount of authorized capital and paid-up capital;
- f. the number of shares;
- g. classification of shares and the number of shares for each classification and the rights attached to each share;
- h. the nominal value of each share;
- i. names of positions and number of members of the Board of Commissioners and Board of Directors;
- j. establishment of place and procedures for holding the GMS;
- k. procedures for the appointment, replacement, dismissal of members of the Board of Commissioners and members of the Board of Directors;
- l. duties and authorities of the Commissioners and Board of Directors;
- m. use of profits and dividend distribution; and
- n. other provisions in accordance with the provisions of legislation.

Article 18

ROE must have the aims and objectives as well as business activities that do not conflict with Pancasila, legislation, public order, and/or decency.

CHAPTER IV ROE CAPITAL

Part One ROE Capital Sources

Article 19

- (1) ROE capital sources consist of:
 - a. Regional equity participation;
 - b. loans;
 - c. grants; and
 - d. other capital sources.
- (2) Regional Equity Participation as referred to in section (1) point a may be sourced from:
 - a. APBD; and/or
 - b. conversion from loans.
- (3) Loans as referred to in section (1) point b may be sourced from:
 - a. Region;
 - b. other ROEs; and / or
 - c. other sources in accordance with the provisions of legislation.
- (4) Grants as referred to in section (1) point c may be sourced from:
 - a. Central Government;
 - b. Region;
 - c. other ROE; and/or
 - d. other sources in accordance with the provisions of legislation.
- (5) Other capital sources as referred to in section (1) point d include:

- a. capitalization of reserves;
- b. asset revaluation gains; and
- c. share premium.

Article 20

ROE capital sourced from Regional equity participation is the limit of Regional liability for ROE losses.

Part Two

Regional Equity Participation

Article 21

- (1) Regional equity participation is carried out for:
 - a. establishment of ROE;
 - b. capital increase of ROE; and
 - c. purchase of shares in other Regional limited liability companies.
- (2) Regional equity participation may be in the form of money and Regional-underassess.
- (3) Regional owned assets are valued according to the real values at the time the Regional-owned Assets are used as Regional equity participation.
- (4) The real value as referred to in section (3) are obtained by interpreting the price of Regional-owned assets in accordance with the provisions of legislation.
- (5) Regional equity participation as referred to in section (1) is determined by a Perda.

Article 22

- (1) Regional equity participation in the context of establishing ROE is intended to fulfill authorized capital and paid-up capital.
- (2) Regional equity participation to fulfill the authorized capital as referred to in section (1) is carried out in accordance with the provisions of legislation governing regional financial management.
- (3) Paid-up capital as referred to in section (1) in a Regional public corporation is fulfilled not later than 2 years since its establishment.
- (4) Regional equity participation in the context of establishing a Regional limited liability company is carried out in accordance with the provisions of legislation governing limited liability companies.

Article 23

- (1) Regional equity participation in the context of capital increase of ROE is carried out for:
 - a. business development;
 - b. strengthening of capital structure; and
 - c. assignment of the Local Government.
- (2) Regional equity participation for additional ROE capital as referred to in section (1) is carried out after an investment analysis by the Local Government and the availability of a ROE business plan.

Article 24

- (1) Local Government equity participation may be carried out if the amount to be included in the relevant fiscal year has been determined in the Regional Regulation regarding regional equity participation.
- (2) The Perda as referred to in section (1) is determined prior to the Joint approval between the Mayor and DPRD on the draft Perda on the APBD.

Article 25

- (1) Fulfillment of equity participation in the previous year is not issued a separate Perda as long as the amount of the equity participation budget does not exceed the amount of equity participation that has been determined by the Perda regarding the relevant equity participation.
- (2) In the event that the Local Government will increase the amount of equity participation exceeding the amount of Equity Participation that has been determined by the Perda regarding equity participation, the Local Government amend the Perda regarding the relevant equity participation in accordance with the provisions of legislation.

Part Three

Reduction of Regional Capital

Article 26

- (1) Reduction of Regional capital in ROE may be done as long as it does not cause share ownership below 51% (fifty one percent) by 1 (one) Region.
- (2) In maintaining share ownership of at least 51% (fifty-one percent) as referred to in section (1), the Local Government must pay attention to the regulation of paid-up capital and authorized capital in the articles of association.
- (3) Reduction of share ownership as referred to in section (1) may occur due to divestment and/or dilution.
- (4) Reduction of share ownership due to divestment and/or dilution as referred to in section (3) in ROE is prioritized to be taken over by other Regions and/or other ROE.

Part Four

Changes in Regional Equity Participation

Article 27

The addition of Regional capital and the reduction of Regional capital is carried out in accordance with the provisions of legislation governing Regional financial management.

Part Five

Loans

Article 28

- (1) ROE may make loans in accordance with the prevalence in the business world.
- (2) Provisions regarding the acceptance of loans are carried out in accordance with the provisions of legislation.

Part Six
Grants

Article 29

- (1) ROE may accept grants.
- (2) Provisions regarding the acceptance of grants are implemented in accordance with the provisions of legislation.

Part Seven
Other Capital Sources

Article 30

- (1) In the event that equity participation is sourced from capitalization of reserves, asset revaluation gains, and share premium, it is decided by the KPM or GMS.
- (2) equity participation sourced from capitalization of reserves as referred to in section (1) is carried out in accordance with the provisions of legislation governing regional financial management.

CHAPTER V
ROE ORGAN AND EMPLOYEES

Part One
ROE Organ

Paragraph 1
General

Article 31

- (1) ROE management is carried out by a ROE organ.
- (2) The ROE organ as referred to in section (1) in Regional public corporations consists of:
 - a. KPM;
 - b. Board of Supervisors; and
 - c. Board of Directors.
- (3) The ROE organ as referred to in section (1) in the Regional limited liability company consists of:
 - a. GMS;
 - b. Commissioners; and
 - c. Board of Directors.

Article 32

Any person in the management of ROE in 1 (one) Region is prohibited from having a family relationship up to the third degree based on a straight line up, down, or sideways, including relationships arising from marriage.

Paragraph 2
KPM

Article 33

KPM is not responsible for losses of the Regional public corporation if it can prove:

- a. no direct or indirect personal interest;

- b. no involvement in illegal acts committed by the Regional public corporation; and/or
- c. no involvement either direct or indirect in using the assets of the Regional public corporation unlawfully.

Article 34

- (1) The KPM, Board of Supervisors, and Board of Directors conduct meetings in the business development of regional public corporations.
- (2) The meeting as referred to in section (1) consists of:
 - a. annual meeting;
 - b. meeting of approval plan on work plan budget of the Regional public corporation; and
 - c. extraordinary meetings.

Paragraph 3
GMS

Article 35

- (1) The Mayor represents the Region as the shareholder of the Regional limited liability company in the GMS.
- (2) The Mayor may grant power of attorney in the form of substitution rights to Local Government officials in accordance with the provisions as referred to in Article 3 section (3).

Article 36

The Mayor is not liable for losses of the Regional limited liability company if he/she can prove:

- a. no direct or indirect personal interest;
- b. no involvement in illegal acts committed by the Regional limited liability company; and/or
- c. no involvement either direct or indirect in using the assets of the Regional limited liability company unlawfully.

Article 37

Further provisions regarding GMS are in accordance with the provisions of legislation governing limited liability companies.

Paragraph 4
Board of Supervisors and Commissioner

Article 38

- (1) Members of the Board of Supervisors and members of the Board of Commissioners may consist of independent elements and other elements in accordance with the provisions of legislation.
- (2) Other elements as referred to in section (1) may consist of Central Government officials and Local Government officials who are not in charge of implementing public services.

Article 39

Members of the Board of Supervisors are appointed by the KPM and members of the Board of Commissioners are appointed by the GMS.

Article 40

- (1) The number of members of the Board of Supervisors and members of the Board of Commissioners is at most the same as the number of Directors.
- (2) In the event that the members of the Board of Supervisors or members of the Commissioners consist of more than 1 (one) member, 1 (one) member of the Board of Supervisors is appointed as Chairman of the Board of Supervisors or 1 (one) member of the Commissioners is appointed as President Commissioner.
- (3) The number of members of the Board of Supervisors or members of the Board of Commissioners as referred to in section (2) is determined based on the principles of efficiency and effectiveness of decisions, supervision, and financing for the benefit of ROE.

Article 41

- (1) The process of selecting members of the Board of Supervisors or members of the Board of Commissioners is carried out through selection.
- (2) The selection as referred to in section (1) is carried out by a professional institution or institution at least through the stages:
 - a. administrative selection;
 - b. UKK; and
 - c. final interview.
- (3) Further provisions regarding the selection as referred to in section (1) and section (2) are regulated in a Mayor Regulation.

Article 42

- (1) The Mayor assigns the Regional Apparatus in charge of the guidance of the management of ROE to report vacancies in the position of members of the Board of Supervisors or members of the Commissioners whose term of office ends.
- (2) The preparation of a vacancy in the position of a member of the Board of Supervisors or a member of the Board of Commissioners whose term of office ends as referred to in section (1) is carried out no later than 6 (six) months before the term of office of the members of the Board of Supervisors or members of the Board of Commissioners ends.
- (3) The Mayor reports the vacancy of the position of members of the Board of Supervisors or members of the Board of Commissioners as referred to in section (2) to the Minister through the Directorate General of Regional Financial Development no later than 15 (fifteen) workdays after the report is received by the Mayor as referred to in section (1).
- (4) In the event that a member of the Board of Supervisors or a member of the Board of Commissioners passed away or is dismissed at any time, the Regional Apparatus in charge of the guidance of the management of ROE reports the vacancy to the Mayor.
- (5) The Mayor reports the vacancy as referred to in section (4) to the Minister of Home Affairs through the Directorate

General of Regional Financial Development no later than 15 (fifteen) workdays since the vacancy occurs.

Article 43

To be appointed as a member of the Board of Supervisors or a member of the Commissioner, the following requirements must be met:

- a. being physically and mentally healthy;
- b. having expertise, integrity, leadership, experience, honesty, good behavior, and high dedication to advance and develop the company;
- c. understanding the administration of Local Government;
- d. understanding company management related to one of the management functions;
- e. providing sufficient time to carry out their duties;
- f. having a diploma of at least S-1 (under graduate);
- g. maximum age of 60 (sixty) years at the time of registering for the first time;
- h. having never been declared bankrupt;
- i. having never been a member of the Board of Directors, Board of Supervisors, or Commissioner who was found guilty of causing the business entity under his/her leadership to be declared bankrupt;
- j. not currently undergoing criminal sanctions; and
- k. not being an administrator of a political party, candidate for Regional Head or candidate for deputy Regional Head, and/or candidate for legislative members.

Article 44

Members of the Board of Supervisors and members of the Board of Commissioners are appointed for a maximum term of office of 4 (four) years and may be reappointed for 1 (one) term of office.

Article 45

- (1) The Board of Supervisors has duties to:
 - a. supervise the Regional public corporation; and
 - b. supervise and advise the Board of Directors in carrying out the management of the Regional public corporation.
- (2) Commissioners have duties to:
 - a. supervise the Regional public corporation; and
 - b. supervise and advise the Board of Directors in carrying out the management of the Regional limited liability company.
- (3) The Board of Supervisors is obligated to:
 - a. report the results of supervision to the KPM; and
 - b. make and maintain minutes of meetings.
- (4) Commissioners are obligated to:
 - a. report the results of supervision to the GMS; and
 - b. make and maintain minutes of meetings.
- (5) Supervision of Regional limited liability companies is carried out in accordance with the provisions of legislation governing limited liability companies.

- (6) Further provisions regarding supervision as referred to in section(1) through section (4) are regulated in a Mayor Regulation.

Article 46

The position of a member of the Board of Supervisors or a member of the Commissioners ends if:

- a. deceased;
- b. his/her term of office ends; and/or
- c. dismissed at any time.

Article 47

- (1) In the event that the term of office of a member of the Board of Supervisors or a member of the Board of Commissioners ends because his/her term of office ends as referred to in Article 46 point b, the members of the Board of Supervisors or members of the Board of Commissioners are obligated to submit a supervisory report on the end of term of office at the latest 3 (three) months before the end of his/her term of office.
- (2) Members of the Board of Supervisors or members of the Board of Commissioners as referred to in section (1) are obligated to report the remaining implementation of supervisory duties that have not been reported no later than 1 (one) month after the end of their term of office.
- (3) The end-of-term management report as referred to in section (1) serves as the basis for consideration by the KPM or GMS to extend or dismiss a member of the Board of Supervisors or a member of the Board of Commissioners.
- (4) The report on the management of the end-of-term duties of a member of the Board of Supervisors or a member of the Board of Commissioners whose term of office ends is carried out after the results of an audit with a specific purpose or an annual audit from a public accounting firm to the KPM or the annual GMS.
- (5) In the event of a vacancy in the position of all members of the Board of Supervisors or members of the Commissioners, the implementation of ROE supervisory duties is carried out by the KPM or GMS.

Article 48

- (1) In the event that the position of a member of the Board of Supervisors or a member of the Board of Commissioners ends due to dismissal at any time as referred to in Article 46 point c, the dismissal is required to be accompanied by reasons for dismissal.
- (2) The dismissal of a member of the Board of Supervisors or a member of the Board of Commissioners as referred to in section (1) is carried out if based on data and information that can be legally proven, the member of the Board of Supervisors or member of the Board of Commissioners concerned:
 - a. is unable to carry out his/her duties;
 - b. does not implement the provisions of legislation and/or the provisions of the articles of association;

- c. is involved in fraudulent acts that result in losses to ROE, the state, and/or the Region;
- d. is found guilty by a court decision which is final binding;
- e. resigns;
- f. no longer fulfills the requirements as a member of the Board of Supervisors or member of the Commissioner in accordance with the provisions of legislation; and/or
- g. is not re-elected in the event of a change in Local Government policy such as Restructuring, liquidation, acquisition, and dissolution of ROE.

Article 49

Members of the Board of Supervisors are dismissed by the KPM and members of the Commissioners are dismissed by the GMS.

Article 50

- (1) Members of the Board of Supervisors or members of the Board of Commissioners are prohibited from holding more than 2 (two) positions of Member of the Board of Supervisors and/or member of the Board of Commissioners.
- (2) Violation of provisions as referred to in section (1) is subject to administrative sanctions in the form of being dismissed at any time from the position as a member of the Board of Supervisors and/or a member of the Board of Commissioners.
- (3) In the event that the provisions as referred to in section (2) is not implemented by the KPM or GMS for a maximum of 20 (twenty) workdays after the person concerned is appointed to hold a new position as a member of the Board of Supervisors or a member of the Board of Commissioners, all positions concerned as a member of the Board of Supervisors or a member of the Board of Commissioners are declared terminated.

Article 51

- (1) Member Board of Supervisors or member Commissioners are prohibited from holding concurrent positions as:
 - a. member of the Board of Directors at ROE, state-owned enterprises, and/or private-owned enterprises;
 - b. other officials in accordance with the provisions of legislation; and/or
 - c. other officials who may cause a conflict of interest.
- (2) Violation of the provisions as referred to in section (1) is subject to administrative sanctions in the form of being dismissed at any time from the office as a member of the Board of Supervisors and/or a member of the Board of Commissioners.
- (3) In the event that the provisions as referred to in section (2) is not implemented by the KPM or GMS for a maximum of 20 (twenty) workdays after the person concerned is appointed to hold a new position as a member of the Board of Supervisors or a member of the Board of Commissioners, the position concerned as a member of the Board of

Supervisors or a member of the Board of Commissioners is declared terminated.

Article 52

- (1) Members of the Board of Supervisors or members of the Board of Commissioners are obligated to perform their duties for the benefit of ROE in good faith and responsibility.
- (2) Each member of the Board of Supervisors or member of the Board of Commissioners is personally liable if he/she is guilty or negligent in carrying out his/her duties.
- (3) The KPM may file a lawsuit in court against a member of the Board of Supervisors who through his/her fault or negligence causes losses to the Regional public corporation unless the member of the Board of Supervisors concerned compensates for the losses incurred and is deposited into the regional public treasury account.

Article 53

- (1) The income of members of the Board of Supervisors is determined by the KPM and the income of members of the Commissioners is determined by the GMS.
- (2) The income of members of the Board of Supervisors and members of the Commissioners as referred to in section (1) at most consists of:
 - a. honorarium;
 - b. allowances;
 - c. facilities; and/or
 - d. tantiem or performance incentives.
- (3) Further provisions regarding the income of members of the Board of Supervisors and members of the Board of Commissioners are regulated in a Mayor Regulation.

Article 54

- (1) The Board of Supervisors or Commissioners may appoint a secretary financed by ROE.
- (2) The secretary's duties as referred to in section (1) are to assist in the smooth implementation of the duties of the Board of Supervisors or Commissioners.

Article 55

Costs required in the context of carrying out the duties of members of the Board of Supervisors or members of the Board of Commissioners are charged to ROE and included in the ROE work plan and budget.

Article 56

- (1) Decisions of the Board of Supervisors or Commissioners are taken in a meeting of the Board of Supervisors or Commissioners.
- (2) In certain circumstances, decisions of the Board of Supervisors or Commissioners may also be taken outside the meetings of the Board of Supervisors or Commissioners as long as all members of the Board of Supervisors or members of the Commissioners agree on the manner and material decided.

- (3) In each meeting of the Board of Supervisors or Commissioners, minutes of the meeting containing the matters discussed and decided are made, including if there is a statement of disagreement from a member of the Board of Supervisors or a member of the Commissioners.

Paragraph 5
Board of Directors

Article 57

- (1) The Board of Directors performs management of ROE.
- (2) Management by the Board of Directors of a Regional limited liability company is carried out in accordance with the provisions of legislation governing limited liability companies.

Article 58

The Board of Directors of Regional public corporation are appointed by the KPM and the Board of Directors of Regional limited liability companies are appointed by the GMS.

Article 59

To be appointed as a member of the Board of Directors, the person concerned must fulfill the following requirements:

- a. being physically and mentally healthy;
- b. having expertise, integrity, leadership, experience, honesty, good behavior, and high dedication to advance and develop the company;
- c. understanding the administration of Local Government;
- d. understanding company management;
- e. having adequate knowledge in the company's business field;
- f. holding at least a bachelor's degree;
- g. having work experience of at least 5 (five) years in the managerial field of an incorporated company and in leading a team;
- h. being at least 35 (thirty-five) years old and at most 55 (fifty-five) years old at the time of first registration;
- i. having never been a member of the Board of Directors, Board of Supervisors, or Commissioner who was found guilty of causing the business entity under his leadership to be declared bankrupt;
- j. having never been convicted of a criminal offense that is detrimental to state or regional finances;
- k. not currently undergoing criminal sanctions; and
- l. not being an administrator of a political party, candidate for regional head or candidate for deputy regional head, and/or candidate for legislative member.

Article 60

- (1) The selection process for members of the Board of Directors is carried out through selection.
- (2) The selection as referred to in section (1) at least includes the stages of fit and proper test conducted by a professional team or institution.

- (3) Further provisions regarding the selection as referred to in section (1) and section (2) are regulated in a Mayor Regulation.

Article 61

- (1) Candidates for members of the Board of Directors who have passed the selection as referred to in Article 60 are obligated to sign a performance contract before being appointed as members of the Board of Directors.
- (2) Provisions regarding the selection as referred to in Article 59 do not apply to the appointment or reappointment of members of the Board of Directors who are considered capable of performing their duties well during their term of office.
- (3) In the event that a member of the Board of Directors is reappointed, the member of the Board of Directors is obligated to sign a performance contract.
- (4) The signing of the performance contract as referred to in section (3) is carried out prior to the reappointment as a member of the Board of Directors.

Article 62

- (1) The number of members of the Board of Directors for a Regional public corporation is determined by the KPM.
- (2) The number of members of the Board of Directors for a Regional public limited liability company is determined by the GMS.
- (3) The number of members of the Board of Directors for Regional public corporation as referred to in section (1) and for Regional limited liability companies as referred to in section (2) is at least 1 (one) person and at most 5 (five) persons.
- (4) Determination of the number of members of the board of directors as referred to in section (3) is carried out based on the principles of efficiency and effectiveness of ROE management.
- (5) The president director is appointed from one of the members of the Board of Directors as referred to in section (3).

Article 63

Members of the Board of Directors are appointed for a maximum term of office of 5 (five) years and may be reappointed for 1 (one) term of office unless:

- a. otherwise determined in accordance with the provisions of legislation; and
- b. in the event of having special expertise and/or excellent performance, a member of the Board of Directors may be appointed for a third term of office.

Article 64

The division of duties and authority of members of the ROE Board of Directors is determined in the articles of association.

Article 65

The position of a member of the Board of Directors ends if the member of the Board of Directors:

- a. is deceased;
- b. whose his/her term of office ends; or
- c. is dismissed at any time.

Article 66

- (1) In the event that the term of office of a member of the Board of Directors ends due to the expiration of his/her term of office as referred to in Article 65 point b, the member of the Board of Directors is obliged to submit a report on the end of term management duties not later than 3 (three) months before the end of his/her term of office.
- (2) The member of the Board of Directors as referred to in section (1) is obliged to report the remaining implementation of management duties that have not been reported not later than 1 (one) month after the end of his/her term of office.
- (3) Based on the end-of-term management report as referred to in section (2), the Board of Supervisors or Commissioner is obliged to submit an assessment and recommendation on the performance of the Board of Directors to the shareholders.
- (4) The report as referred to in section (2) as well as the assessment and recommendation as referred to in section (3) serve as the basis for consideration by the KPM or GMS to extend or dismiss the members of the Board of Directors.
- (5) The report on the end of term management of the members of the Board of Directors whose term of office ends shall be carried out after the results of an audit with a specific purpose or an annual audit from a public accounting firm and submitted to the KPM or the annual GMS.

Article 67

- (1) In the event that the term of office of a member of the Board of Directors ends due to dismissal at any time as referred to in Article 65 point c, the dismissal is required to be accompanied by reasons for dismissal.
- (2) The dismissal of a member of the Board of Directors as referred to in section (1) is carried out if based on data and information that can be legally proven, the member of the Board of Directors concerned:
 - a. is unable to carry out his/her duties;
 - b. does not implement the provisions of legislation and/or provisions of the articles of association;
 - c. is involved in fraudulent acts that result in losses to ROE, the state, and/or the Region;
 - d. is found guilty by a court decision that is final and binding;
 - e. resigns;
 - f. no longer fulfills the requirements as a member of the Board of Supervisors or member of the Commissioner in accordance with the provisions of legislation; and/or

- g. is not re-elected due to a change in Local Government policy in terms of Restructuring, liquidation, acquisition, and dissolution of ROE.

Article 68

Directors in Regional public corporations are dismissed by the KPM and Directors in Regional limited liability companies are dismissed by the GMS.

Article 69

- (1) Members of the Board of Directors are prohibited from holding concurrent positions as:
 - a. member of the Board of Directors in other ROE, state-owned enterprises, and private-owned enterprises;
 - b. other positions in accordance with the provisions of legislation; and/or
 - c. other positions which may cause a conflict of interest.
- (2) Violation of the provisions as referred to in section (1) is subject to administrative sanctions in the form of dismissal at any time from office as a member of the Board of Directors.
- (3) In the event that the provisions as referred to in section (2) is not implemented by the KPM or GMS within a maximum of 20 (twenty) workdays since the person concerned is appointed to hold a new position as a member of the Board of Directors, the position concerned as a member of the Board of Directors is declared dismissed.

Article 70

- (1) Members of the Board of Directors are obligated in good faith and responsibility to perform their duties for the interest and business of ROE.
- (2) Each member of the Board of Directors is fully personally liable if he/she is guilty or negligent in performing his/her duties in accordance with the provisions as referred to in section (1).
- (3) The KPM may file a lawsuit with the court against a member of the Board of Directors who, due to his/her fault or negligence, causes a loss to the Regional public corporation unless the member of the Board of Directors concerned compensates for the loss caused and is deposited into the regional public treasury account.
- (4) The filing of a lawsuit by shareholders in a Regional public limited liability company is in accordance with the provisions of legislation governing limited liability companies.

Article 71

- (1) The income of the Board of Directors in a Regional public corporation is determined by the KPM.
- (2) The income of the Board of Directors in a Regional public corporation is determined by the GMS.
- (3) Income of members Board of Directors as referred to in section (1) at most consists of:
 - a. salary;
 - b. allowances;

- c. facilities; and/or
 - d. tantiem or work incentives.
- (4) Further provisions regarding the income of members of the Board of Directors are regulated in a Mayor Regulation.

Article 72

- (1) All decisions of the Board of Directors are taken in a meeting of the Board of Directors.
- (2) In certain circumstances, decisions of the Board of Directors may be made outside the meeting of the Board of Directors as long as all members of the Board of Directors agree on the manner and material decided.
- (3) In every meeting of the Board of Directors, minutes of the meeting containing the matters discussed and decided are made, including if there is a statement of disagreement from a member of the Board of Directors.

Article 73

- (1) In the event of a vacancy in the position of all members of the Board of Directors, the implementation of ROE management duties is carried out by the Board of Supervisors or Commissioner.
- (2) The Board of Supervisors or Commissioners may appoint officials from the internal ROE to assist in the implementation of the duties of the Board of Directors until the appointment of the definitive Board of Directors for a maximum of 6 (six) months.
- (3) In the event of a vacancy in the position of all members of the Board of Directors and all members of the Board of Supervisors or Commissioners, the management of the Regional public corporation is carried out by the KPM and the management of the Regional limited liability company by the GMS.
- (4) KPM or GMS may appoint officials from the internal ROE to assist in the implementation of ROE management duties until the appointment of members of the Board of Supervisors or members of the Commissioners and definitive members of the Board of Directors for a maximum of 6 (six) months.

Article 74

- (1) Members of the Board of Directors are not authorized to represent the Regional public corporation if:
 - a. there is a case in court between the Regional public corporation and the member of the Board of Directors concerned; and/or
 - b. the member of the Board of Directors concerned has interests that conflict with the interests of the Regional public corporation.
- (2) In the event of the circumstances as referred to in section (1), those entitled to represent the Regional public corporation are:
 - a. other members of the Board of Directors who have no conflict of interest with the Regional public corporation;

- b. the Board of Supervisors in the event that all members of the Board of Directors have a conflict of interest with the Regional public corporation; or
- c. other parties appointed by the KPM in the event that all members of the Board of Directors or Board of Supervisors have a conflict of interest with the Regional public corporation.

Article 75

Provisions regarding the authority of the Regional public limited liability company are implemented by legislation on limited liability company.

Part Two ROE Employees

Article 76

ROE employees are ROE workers whose appointment, dismissal, position, rights, and obligations are determined based on a work agreement in accordance with the provisions of legislation governing manpower.

Article 77

- (1) ROE employees receive fair and reasonable income in accordance with workload, responsibility, and performance.
- (2) The Board of Directors determines the income of ROE employees in accordance with the ROE work plan and budget.
- (3) The income of ROE employees consists of at most:
 - a. salary;
 - b. allowances;
 - c. facilities; and/or
 - d. production services or work incentives.
- (4) Further provisions regarding the income of ROE employees are regulated in a Board of Directors Regulation based on the prevailing legislation.

Article 78

ROE is required to include ROE employees in health security, old-age security, and other social security programs in accordance with the provisions of legislation.

Article 79

In the context of improving employee competence, ROE implements a human resource capacity building program.

Article 80

ROE employees are prohibited from becoming political party administrators.

CHAPTER VI
INTERNAL SUPERVISORY UNIT, AUDIT COMMITTEE, AND
OTHER COMMITTEES

Part One
Internal Supervisory Unit

Article 81

- (1) In each ROE, an internal supervisory unit is formed which is the company's internal supervisory apparatus.
- (2) The internal supervisory unit as referred to in section (1) is led by a head who is responsible to the president director.
- (3) The appointment of the head of the internal supervisory unit as referred to in section (2) is made after obtaining consideration from the Board of Supervisors or Commissioners.

Article 82

The internal supervisory unit has the following duties to:

- a. assist the president director in carrying out operational and financial examinations of ROE, assessing control, management, and implementation at ROE, and providing suggestions for improvement;
- b. provide information about the results of the examination or the results of the implementation of the duties of the internal supervisory unit as referred to in point a to the president director; and
- c. monitor the follow-up on the results of the examination that has been reported.

Article 83

- (1) The internal supervisory unit provides a report on the results of the implementation of its duties to the president Director with a copy to the Board of Supervisors or Commissioner.
- (2) The internal supervisory unit may provide information directly to the Board of Supervisors or Commissioner on the report as referred to in section (1).

Article 84

- (1) The president director submits the results of the examination of the internal supervisory unit to all members of the board of directors, to be followed up in the meeting of a board of directors.
- (2) The board of directors is obligated to pay attention to and immediately take the necessary steps on everything stated in each inspection report made by the internal supervisory unit.

Article 85

In carrying out its duties, the internal supervisory unit is required to maintain the smooth implementation of the duties of other organizational units in ROE in accordance with their respective duties and responsibilities.

Part Two
Audit Committee and Other Committees

Article 86

- (1) The Board of Supervisors or Commissioners form audit committees and other committees that work collectively and function to assist the Board of Supervisors or Commissioners in carrying out supervisory duties.
- (2) The audit committee and other committees as referred to in section (1) consist of independent elements led by a member of the Board of Supervisors or Commissioner.
- (3) The audit committee and other committees as referred to in section (1) in carrying out their duties may coordinate with the internal supervisory unit.

Article 87

The audit committee has the following duties to:

- a. assist the Board of Supervisors or Commissioners in ensuring the effectiveness of the internal control system and the effectiveness of the implementation of the external auditor's duties;
- b. assess the implementation of activities and the results of audits carried out by the internal supervisory unit and external auditors;
- c. provide recommendations on improving the management control system and its implementation;
- d. ensure that there is a satisfactory review procedure for all information issued by the company;
- e. identify matters that require the attention of the Board of Supervisors or Commissioners; and
- f. carry out other duties that are related to the supervision provided by Board Supervisors or Commissioners.

Article 88

- (1) In the event that ROE finances are not able to finance the implementation of the duties of the audit committee and other committees, the ROE may not form an audit committee and other committees.
- (2) In the event that no audit committee and other committees are formed with the considerations as referred to in section (1), the functions of the audit committee and other committees are carried out by the internal supervisory unit.

Article 89

Provisions regarding internal supervisory units, audit committees, and other committees are further regulated in a Mayor Regulation.

CHAPTER VII
PLANNING, OPERATIONS, AND REPORTING OF ROE

Part One
Planning

Paragraph 1
ROE Business Plan

Article 90

- (1) The Board of Directors is obligated to prepare a business plan to be achieved within a period of 5 (five) years.
- (2) The business plan as referred to in section (1) contains at least:
 - a. evaluation of the results of the previous business plan;
 - b. the current condition of the ROE;
 - c. assumptions used in the preparation of the business plan; and
 - d. determination of vision, mission, goals, strategies, policies, and work programs.
- (3) Board of Directors submit draft business plan to the Board of Supervisors or Commissioners for joint signature.
- (4) The business plan that has been jointly signed by the Board of Supervisors or Commissioners is submitted to the KPM or GMS for ratification.
- (5) The business plan as referred to in section (1) is the basis for the performance contract agreement.
- (6) The business plan as referred to in section (4) is submitted to the Minister.

Paragraph 2
Work Plan and Budget of ROE

Article 91

- (1) The Board of Directors is obligated to prepare a work plan and budget which is an annual description of the business plan.
- (2) The work plan and budget as referred to in section (1) at least contain a detailed plan of the annual work program and budget.
- (3) The Board of Directors submits the work plan and budget to the Board of Supervisors or Commissioner not later than the end of November for joint signature.
- (4) The work plan and budget that has been signed with the Board of Supervisors or Commissioner are submitted to the KPM or GMS for ratification.

Article 92

Further provisions regarding business plans and work plans and budgets of ROEs are regulated in a Mayor Regulation.

Part Two
ROE Operations

Paragraph 1
Standard Operating Procedures

Article 93

- (1) ROE operations are implemented based on standard operating procedures.
- (2) Standard operating procedures are prepared by the Board of Directors and approved by the Board of Supervisors or Commissioners.
- (3) Standard operating procedures must fulfill the element of continuous improvement.
- (4) Standard operating procedures as referred to in section (3) at least contain aspects:
 - a. organ;
 - b. organization and staffing;
 - c. finance;
 - d. customer service;
 - e. business risk;
 - f. procurement of goods and services;
 - g. goods management;
 - h. marketing; and
 - i. supervision.
- (5) Standard operating procedures as referred to in section (4) must have been fulfilled not later than 1 (one) year from the establishment of the ROE.
- (6) Standard operating procedures as referred to in section (4) are submitted to the Regional Secretary.

Paragraph 2
Good Corporate Governance

Article 94

- (1) ROE management is carried out in accordance with Good Corporate Governance.
- (2) Good Corporate Governance as referred to in section (1) consists of the principles of:
 - a. transparency;
 - b. accountability;
 - c. responsibility;
 - d. independence; and
 - e. fairness.
- (3) The implementation of Good Corporate Governance as referred to in section (2) aims to:
 - a. achieve the objectives of ROE;
 - b. optimize the value of ROE so that the company has strong competitiveness, both nationally and internationally;
 - c. encourage professional, efficient, and effective management of ROE, and empower the function and increase the independence of ROE organs;
 - d. encourage ROE organs to make decisions and carry out actions based on high moral values and compliance with legislation, as well as awareness of

- ROE's social responsibility towards stakeholders and environmental sustainability around ROE;
- e. increase the contribution of ROE in the national economy; and
 - f. improve the business climate conducive to the development of national investment.
- (4) Good Corporate Governance as referred to in section (2) and section (3) is determined by the Board of Directors.
 - (5) The implementation of Good Corporate Governance is carried out not later than 2 (two) years after the ROE is established.

Paragraph 3
Procurement of Goods and Services

Article 95

- (1) Procurement of goods and services of ROE is carried out considering the principles of efficiency and transparency.
- (2) Provisions regarding the procurement of goods and services of ROE as referred to in section (1) are determined by a Mayor Regulation.

Paragraph 4
Cooperation

Article 96

- (1) ROE can cooperate with other parties.
- (2) The cooperation as referred to in section (1) must be mutually beneficial and protect the interests of the Local Government, the wider community, and the cooperating parties.
- (3) The implementation of ROE cooperation with other parties is the authority of the Board of Directors in accordance with the company's internal mechanism.
- (4) In the event of cooperation in the form of utilization of fixed assets owned by ROE, such cooperation is carried out through operating cooperation.
- (5) In the event of cooperation as referred to in section (4) in the form of lands and/or buildings originating from the Regional Equity Participation in a Regional limited liability company and cooperated for a period of more than 10 (ten) years must be approved by an extraordinary GMS.
- (6) Cooperation with other parties in the form of equity utilization applies provisions:
 - a. it is approved by KPM or extraordinary GMS;
 - b. ROE's financial statements for the last 3 (three) years are in a healthy condition;
 - c. it is not allowed to make capital investments in the form of land from ROE originating from Regional Equity Participation; and
 - d. it has a business field that supports the main business.
- (7) ROE prioritizes cooperation with ROE owned by other Local Governments in order to support regional cooperation.
- (8) The Local Government can provide assignments to ROEs to carry out cooperation.

- (9) Further provisions regarding ROE cooperation are regulated in a Mayor Regulation.

Paragraph 5
Loans

Article 97

- (1) ROE can make loans from financial institutions, Central Government, Local Government, and other sources of funds from within the country for business development and investment.
- (2) In the event of loans as referred to in section (1) requires collateral, ROE assets derived from the ROE's business results can be used as collateral to obtain loans.
- (3) In the event of ROE making loans as referred to in section (1) to the Local Government, no collateral is required.
- (4) Further provisions regarding ROE loans are regulated in a Mayor Regulation.

Part Three
Reporting

Paragraph 1
Reporting of Board of Supervisors or Commissioner

Article 98

- (1) The Board of Supervisors or Commissioner's report consists of quarterly reports and annual reports.
- (2) Quarterly reports and annual reports as referred to in section (1) at least consist of supervisory reports submitted to the KPM or GMS.
- (3) The quarterly report as referred to in section (2) is submitted not later than 30 (thirty) workdays after the end of the relevant quarter.
- (4) The annual report as referred to in section (2) is submitted not later than 90 (ninety) workdays after the ROE financial year is closed.
- (5) The annual report as referred to in section (4) is authorized by the KPM or GMS.
- (6) In the event that the Board of Supervisors or Commissioner fail to sign the annual report as referred to in section (4), the reasons must be stated in writing.
- (7) Further provisions regarding the procedures for submitting and publishing the annual report of the Board of Supervisors or Commissioners are regulated in a Mayor Regulation.

Paragraph 2
Reporting of ROE Directors

Article 99

- (1) ROE directors' reports consist of monthly reports, quarterly reports and annual reports.
- (2) Monthly reports and quarterly reports as referred to in section (1) consist of operational activity reports and

financial reports submitted to the Board of Supervisors or Commissioner.

- (3) The annual report as referred to in section (1) consists of audited financial statements and management reports signed jointly by the Board of Directors and the Board of Supervisors or Commissioners.
- (4) Quarterly reports and annual reports as referred to in section (2) and section (3) are submitted to the KPM or GMS.
- (5) The annual report as referred to in section (4) is ratified by the KPM or GMS not later than 30 (thirty) work days after it is received.
- (6) The Board of Directors publishes the annual report to the public not later than 15 (fifteen) workdays after the annual report as referred to in section (5) is ratified by the KPM or GMS.
- (7) In the event that any member of the board of directors fails to sign the annual report as referred to in section (3), the reasons must be stated in writing.
- (8) The annual report as referred to in section (3) is submitted to the Minister.
- (9) Further provisions regarding the procedures for the submission and publication of the annual report of the Board of Directors are regulated in a Mayor Regulation.

Paragraph 3

Annual Report of Regional public corporation

Article 100

- (1) Annual reports for Regional public corporate at least contain:
 - a. financial statements;
 - b. a report on the activities of the Regional public corporation;
 - c. report on the implementation of corporate social responsibility;
 - d. details of problems arising during the financial year that affect the business activities of the Regional public corporation;
 - e. a report on the supervisory duties carried out by the Board of Supervisors during the past financial year;
 - f. names of members of the Board of Directors and members of the Board of Supervisors; and
 - g. income of members of the Board of Directors and members of the Board of Supervisors for the previous year.
- (2) The financial statements as referred to in section (1) point a at least contain:
 - a. the year-end balance sheet of the most recent fiscal year compared to the previous fiscal year;
 - b. the income statement for the relevant fiscal year;
 - c. cash flow statement;
 - d. statement of changes in equity; and
 - e. notes to the financial statements.

Paragraph 4
Annual Reports of Regional limited liability Companies

Article 101

The annual reports for Regional limited liability companies is carried out in accordance with the provisions of legislation governing limited liability companies.

CHAPTER VIII
USE OF ROE PROFIT

Part One
Use of Regional Public Corporation Profits

Article 102

- (1) The use of Regional public corporation profits is regulated in the articles of association.
- (2) The use of Regional public corporation profits as referred to in section (1) is for:
 - a. fulfillment of reserve funds;
 - b. increasing the quantity, quality, and continuity of public services, basic services, and pioneering efforts of the Regional public corporation concerned;
 - c. dividends that become the right of the Region;
 - d. tantiem for members of the Board of Directors and Board of Supervisors;
 - e. bonuses for employees; and/or
 - f. other uses of profit in accordance with the provisions of legislation.
- (3) The KPM prioritizes the use of profits of Regional public corporation to increase the quantity, quality, and continuity of public services, basic services, and pioneering efforts of the Regional public corporation concerned after the reserve fund has been fulfilled.
- (4) The amount of the use of profits of the Regional public corporation is determined annually by the KPM.

Article 103

- (1) Regional public corporations are required to set aside a certain amount of net profit each financial year for reserve funds.
- (2) The net profit as referred to in section (1) is set aside until the reserve funds reach at least 20% (twenty percent) of the capital of the Regional public corporation.
- (3) The obligation to set aside reserve funds as referred to in section (2) applies if the Regional public corporation has a positive balance of profit.
- (4) Reserve funds up to the amount of 20% (twenty percent) of the capital of the Regional public corporation may only be used to cover losses of the Regional public corporation.
- (5) If the reserve funds have exceeded the amount of 20% (twenty percent), the KPM may decide that the excess of the reserve funds be used for the purposes of the Regional public corporation.

- (6) The Board of Directors must manage the reserve funds so that the reserve funds earn a profit in a good manner with due regard to the provisions of legislation.
- (7) The profit earned from the management of the reserve funds is included in the calculation of profit or loss.

Article 104

Dividends of Regional public corporation that become the right of the Region are a Regional revenue after being authorized by the KPM.

Article 105

- (1) Tantiem for the Board of Directors and Board of Supervisors as well as bonuses for employees is at a maximum of 5% (five percent) of the net profit after deducting for the reserve funds.
- (2) The provision of tantiem and bonuses that are linked to the performance of the Regional public corporation is budgeted and calculated as an expense.

Article 106

If the calculation of profit or loss in a financial year shows a loss that cannot be covered by the reserve fund, the loss remains to recorded in the books of the Regional public corporation and is deemed not to have made a profit as long as the recorded loss has not been fully covered in accordance with the provisions of legislation.

Part Two

Profit Utilization of Regional public Limited Liability Companies

Article 107

- (1) The use of profits of Regional limited liability companies is carried out in accordance with the provisions of legislation governing limited liability companies.
- (2) Dividends of Regional limited liability companies that become the right of the Region are Regional revenues after being authorized by the GMS.

Part Three

Use of ROE Profit for Corporate Social Responsibility

Article 108

- (1) ROE carries out a corporate responsibility by setting aside part of the net profit.
- (2) The use of profit for a corporate social responsibility as referred to in section (1) is prioritized for the purposes of the guidance of micro enterprises, small enterprises, and cooperatives.

CHAPTER IX ROE SUBSIDIARY

Article 109

- (1) ROEs may form subsidiaries.
- (2) In forming subsidiaries, ROEs may partner with:

- a. state-owned enterprises or other ROEs; and/or
 - b. private business entity incorporated in Indonesia.
- (3) Partners as referred to in section (2) must at least fulfill the following requirements:
- a. financial statements for the last 3 (three) years audited by a public accounting firm with an audit opinion which is at least qualified (fair with exceptions);
 - b. the company is in a healthy condition as stated by a public accounting firm in the last 1 (one) year;
 - c. it has competence in their field; and
 - d. the partner company must deposit in cash at least 25% (twenty-five percent) calculated proportionally according to the agreement from the authorized capital.
- (4) The establishment of a subsidiary as referred to in section (1) must fulfill the following requirements:
- a. approved by the KPM or GMS;
 - b. minimum share ownership of 70% (seventy percent) and as the controlling shareholder;
 - c. financial statements of ROE for the last 3 (three) years in a healthy condition;
 - d. having a line of business that supports the main business; and
 - e. not allowed to make capital investments in the form of land from ROE originating from Regional Equity Participation.
- (5) Any additional paid-up capital that results in a change in ROE share ownership in a subsidiary is done with approval by KPM or GMS.

CHAPTER X GOVERNMENT ASSIGNMENTS TO ROE

Article 110

- (1) The Local Government can provide assignments to ROE to support the Regional economy and carry out certain public benefit functions while still paying attention to the aims and objectives of ROE.
- (2) Each assignment as referred to in section (1) is jointly reviewed by the assignor and ROE before obtaining approval from the KPM or GMS.
- (3) Each assignment as referred to in section (1) may be supported by funding.
- (4) Funding as referred to in section (3) may be in the form of:
 - a. Regional Equity Participation;
 - b. subsidy;
 - c. provision of loans; and/or
 - d. grants.
- (5) ROEs that carry out assignments must explicitly separate bookkeeping regarding the assignment from bookkeeping in the context of achieving the company's business objectives.
- (6) After the implementation of the assignments, the Board of Directors is obligated to provide a report to the KPM or GMS.

- (7) The assignments from the Local Government as referred to in section (1) are carried out after coordinating with the Minister.
- (8) Each assignment as referred to in section (1) is determined by a Mayor Regulation.

Article 111

ROEs that carry out assignments may be supported with funding in the form of subsidies.

Article 112

- (1) Subsidies as referred to in Article 111 are used for selling price of production or services produced by ROE to comply with the provisions of legislation so that it can be affordable by the community.
- (2) ROE as referred to in section (1) is an entity that produces community Basic Service products or services.
- (3) ROE as referred to in section (2) which will be granted subsidies first is audited financially by a public accounting firm in accordance with the provisions of legislation.
- (4) The audit results as referred to in section (3) are a consideration for providing subsidies.
- (5) In the context of accountability for the implementation of the APBD, the subsidy recipient as referred to in section (1) is required to submit an accountability report on the use of subsidy funds to the Mayor.
- (6) Further provisions regarding the procedures for granting and accountability of subsidies are regulated in a Mayor Regulation in accordance with the provisions of legislation.

CHAPTER XI

EVALUATION, RESTRUCTURING, CHANGE OF LEGAL FORM, AND PRIVATIZATION OF ROE

Part One

Evaluation of ROE

Article 113

- (1) Evaluation of ROE is carried out by comparing the target and realization.
- (2) Evaluation of ROE as referred to in section (1) is carried out at least once a year.
- (3) Evaluation as referred to in section (2) is carried out by:
 - a. ROE;
 - b. Local Government; and/or
 - c. ministries/non-ministerial government agencies.
- (4) Evaluation as referred to in section (2) at least includes:
 - a. performance assessment;
 - b. health level assessment; and
 - c. service assessment.

Article 114

- (1) The health level assessment is a benchmark of ROE performance.
- (2) The health level assessment is conducted annually by the ROE and submitted to the KPM or GMS.

- (3) The health level assessment of ROE becomes basis for the evaluation of ROE.
- (4) The Mayor submits the results of the health level assessment to the Minister.

Article 115

Further provisions regarding the evaluation of ROE are regulated in a Mayor Regulation.

Part Two Restructuring

Paragraph 1 Purpose and Objectives of Restructuring

Article 116

- (1) Restructuring is carried out with the intention to make ROE healthy so that it can operate efficiently, accountably, transparently, and professionally.
- (2) Restructuring as referred to in section (1) aims to:
 - a. improve the performance and value of ROE;
 - b. provide benefits in the form of dividends and taxes to the state and Region; and/or
 - c. produce products and services at competitive prices to consumers.
- (3) Restructuring is carried out for ROEs that continue to experience losses and the losses threaten the business continuity of the ROE.
- (4) Restructuring is implemented with due regard to cost efficiency, benefits, and risks.

Paragraph 2 Scope of Restructuring

Article 117

- (1) Restructuring includes regulatory restructuring and/or corporate restructuring.
- (2) Restructuring as referred to in section (1) is implemented through:
 - a. Internal restructuring which includes finance, management, operations, systems, and procedures; and
 - b. structuring the functional relationship between the Local Government and ROE to set direction in the context of implementing public service obligations.

Part Three Changes in Legal Form of ROE

Article 118

- (1) ROE may change its legal form.
- (2) Changes in legal form as referred to in section (1) are to achieve the objectives of ROE and Restructuring.
- (3) The changes in the legal form of ROE as referred to in section (1) consists of:

- a. change in the legal form of a Regional public corporation into a Regional limited liability company; and
 - b. change in the legal form of a Regional limited liability company into a Regional public corporation.
- (4) Changes in the legal form of ROE as referred to in section (1) are determined by Regional Regulation (Perda).

Part Four
Privatization

Paragraph 1
Purpose and Objectives of Privatization

Article 119

- (1) Privatization is carried out with the intention of improving the performance and added value of the company and increasing the participation of the public in the ownership of shares in ROE in the form of a Regional limited liability company.
- (2) Privatization as referred to in section (1) aims to:
 - a. expand community ownership;
 - b. increase efficiency and productivity;
 - c. strengthen financial structure and performance;
 - d. create structure industry that is healthy and competitive;
 - e. create competitive and globally oriented business entities; and/or
 - f. create the business climate, macroeconomy, and market capacity.

Paragraph 2
Privatization Principles and Criteria for Regional Limited Liability Companies That Can Be Privatized

Article 120

Privatization is carried out with due regard to the principles of transparency, independence, accountability, responsibility, and fairness.

Article 121

Regional limited liability companies that are privatized must meet the following criteria:

- a. the industry or business sector is competitive; or
- b. industry or business sector is with fast-changing technological elements.

Article 122

Regional limited liability companies that cannot be privatized include:

- a. Regional limited liability companies whose line of business based on the provisions of legislation may only be managed by ROE whose shares are owned by the Region;
- b. Regional limited liability companies engaged in certain sectors which are given special tasks by the Central

- Government or Local Government to carry out certain activities related to the public interest; or
- c. Regional limited liability companies engaged in the natural resources business which are expressly prohibited from privatization based on the provisions of legislation.

Article 123

- (1) Privatization is carried out by way of:
 - a. direct sale of shares to customers;
 - b. sale of shares to employees of the ROE concerned;
 - c. sale of shares based on capital market provisions; and/or
 - d. direct sale of shares to investors.
- (2) In the event that ROE has a public benefit purpose, Privatization is prioritized by way of direct sale of shares to customers.

Paragraph 3

Privatization Procedures

Article 124

- (1) Privatization of Regional limited liability companies is carried out after obtaining DPRD approval and has been disseminated to the public.
- (2) Related parties in Privatization are required to maintain the confidentiality of the information obtained as long as the information has not been declared as information open to the public.
- (3) Violation of the provisions as referred to in section (1) is subject to sanctions in accordance with the provisions of legislation.

Article 125

- (1) Privatization results by selling shares owned by the Region constitute Regional revenue.
- (2) Privatization results as referred to in section (1) are deposited into the Regional treasury.

CHAPTER XII

MERGER, CONSOLIDATION, ACQUISITION, AND
DISSOLUTION OF ROE

Article 126

- (1) Merger and consolidation ROE is performed on 2 (two) or more ROEs.
- (2) ROE may take over ROE and/or other business entities.

Article 127

- (1) Dissolution of ROE is determined by Perda.
- (2) The function of the dissolved ROE as referred to in section (1) is carried out by the Local Government.
- (3) Region Wealth resulting from dissolution ROE is returned to the Region.

Article 128

Merger, consolidation, takeover, and dissolution of ROE are conducted based on the results of investment analysis, health level assessment, and evaluation results of ROE.

Article 129

Further provisions regarding the merger, consolidation, acquisition, and dissolution of Regional limited liability companies are carried out in accordance with the provisions of legislation governing limited liability companies.

CHAPTER XIII
BANKRUPTCY OF ROE

Article 130

- (1) ROEs may be declared bankrupt in accordance with the provisions of legislation.
- (2) The Board of Directors of a Regional public corporation may only submit a request to the court for the Regional public corporation to be declared bankrupt after obtaining approval from the Mayor and DPRD.
- (3) The Board of Directors of a Regional limited liability company may only apply to the court for the Regional limited liability company to be declared bankrupt after obtaining approval from the Mayor and DPRD, to be subsequently determined by the GMS.
- (4) In the event that bankruptcy occurs due to the fault or negligence of the Board of Directors and the ROE's assets are not sufficient to cover losses due to bankruptcy, each member of the Board of Directors is jointly and severally liable for the loss.
- (5) The liability as referred to in section (4) also applies to erring or negligent members of the Board of Directors who have not served 5 (five) years before the ROE is declared bankrupt.
- (6) Members of the Board of Directors who can prove that the bankruptcy was not due to their fault or negligence are not jointly and severally liable for the loss.

Article 131

- (1) In the event that the assets of a ROE declared bankrupt are used to serve the basic needs of the community, the Local Government takes over the assets to serve the basic needs of the community without changing the purpose and function of the assets concerned.
- (2) In the event that the Local Government cannot take over those used to serve the basic needs of the community as referred to in section (1), the Local Government is obligated to provide the basic needs of the community.

CHAPTER XIV
GUIDANCE AND SUPERVISION OF ROE

Part One
ROE Development

Article 132

- (1) The Local Government provides guidance on the management of ROE.
- (2) The guidance as referred to in section (1) is carried out by:
 - a. Regional Secretary;
 - b. officials at the Local Government who perform the function of technical guidance of ROE; and
 - c. officials at the Local Government who carry out the supervisory function at the request of the Regional Secretary.

Article 133

Regional Secretary carries out guidance to the management of ROE on strategic policies.

Article 134

- (1) Officials at the Local Government who perform the function of technical guidance of ROE have the task of carrying out:
 - a. organizational, management, and financial guidance;
 - b. guidance on management;
 - c. guidance on asset utilization;
 - d. guidance on business development;
 - e. monitoring and evaluation;
 - f. guidance administration; and
 - g. other functions assigned by the Regional Secretary.
- (2) The determination of officials in the Local Government who perform the technical guidance function of ROE is adjusted to the Regional apparatus or work unit in the Regional apparatus that handles ROE.

Part Two
Supervision of ROE

Article 135

- (1) Supervision of ROE is carried out to uphold Good Corporate Governance.
- (2) Supervision as referred to in section (1) is carried out by internal supervision and external supervision.
- (3) Internal supervision as referred to in section (2) is conducted by the internal supervisory unit, audit committee, and/or other committees.
- (4) External supervision as referred to in section (2) is carried out by:
 - a. Local Government;
 - b. Minister for general supervision; and
 - c. technical ministers or heads of non-ministerial government agencies for technical supervision.

- (5) Supervision by the Local Government as referred to in section (4) point a is carried out by officials at the Local Government who carry out the supervisory function.

CHAPTER XV
MISCELLANEOUS PROVISIONS

Article 136

The management of a Regional limited liability company is carried out in accordance with the provisions in this Regional Regulation and the provisions of legislation governing limited liability companies.

Article 137

ROEs can gather in ROE associations or by other names.

CHAPTER XVI
TRANSITIONAL PROVISIONS

Article 138

The period of office of the Board of Supervisors, Commissioners, and Directors that have been determined before this Regional Regulation comes into force, remains in effect until the expiration of the period of office.

CHAPTER XVII
CLOSING PROVISIONS

Article 139

All implementing regulations relating to ROE are declared to remain effective as long as they have not been replaced and do not conflict with the provisions in this Regional Regulation.

Article 140

This Regional Regulation comes into force on the date of its promulgation.

In order that every person may know hereof, it is ordered to promulgate this Regional Regulation by its placement in the Regional Gazette of the Municipality of Tangerang.

Issued in Tangerang
on 16 August 2021

MAYOR OF TANGERANG,

signed

ARIEF R. WISMANSYAH

Promulgated in Tangerang
on 16 August 2021

REGIONAL SECRETARY
OF THE MUNICIPALITY OF TANGERANG,

signed

HERMAN SUWARMAN

REGIONAL GAZETTE OF THE MUNICIPALITY OF TANGERANG OF 2021
NUMBER 8

Jakarta, 12 January 2026
Has been translated as an Official Translation
on behalf of Minister of Law
of the Republic of Indonesia
DIRECTOR GENERAL OF LEGISLATION,



DIAHAN PUTRA

ELUCIDATION OF
REGIONAL REGULATION OF THE MUNICIPALITY OF TANGERANG
NUMBER 8 OF 2021
ON
REGIONAL-OWNED ENTERPRISES

I. GENERAL

Law Number 23 of 2014 on Local Governments has mandated the preparation of a Government Regulation on ROE. Other than that, with the repeal of Law Number 5 of 1962 on Regional Companies after the issuance of Law Number 23 of 2014 on Local Governments, the preparation of this Government Regulation needs to be prepared to fill the legal vacuum related to the regulation of ROE.

Some of the things that encourage the need for a legal basis for ROE management include, among others, ROE is considered to still not have a work ethic, too bureaucratic, inefficient, lacking market orientation, not having a good reputation, low professionalism, and there are still many Local Governments that make excessive interventions against ROE, as well as the lack of clarity between making profits and on the other hand being required to have a social function towards society can cause ROE not to focus on its main mission.

In order to encourage regional development, the role of ROEs is increasingly important as pioneers in business sectors that have not been attracted by private businesses, as administrators of public services, balancing market forces, and assisting the development of small and medium enterprises.

Certain ROEs can also function as one of the contributors to Regional revenue, both in the form of taxes, dividends, and Privatization results. ROE is a business entity whose capital is wholly or mostly owned by the Region. ROE is established with the aim of providing benefits for the development of the Regional economy in general, organizing public benefits in the form of the provision of goods and/or services for the fulfillment of the people's livelihood in accordance with the conditions, characteristics, and potential of the Region concerned based on Good Corporate Governance.

This Regional Regulation regulates, among others, the authority of the Regional head on ROE, establishment, capital, organs and staffing, internal supervisory unit, audit committee and other committees, planning, operations and reporting, Good Corporate Governance, procurement of goods and services, cooperation, loans, use of profits, subsidiaries, government assignments to ROE, evaluation, Restructuring, change of legal form, and Privatization, merger, consolidation, takeover and dissolution of ROE, bankruptcy, guidance and supervision, as well as other provisions such as arrangements regarding ROE associations.

ARTICLE BY ARTICLE

Article 1

Sufficiently clear

Article 2

Sufficiently clear

Article 3

Sufficiently clear.

Article 4

Sufficiently clear.

Article 5

Sufficiently clear.

Article 6

Section (1)

Point a

The term “established by the Local Government” means the establishment of ROE determined by Perda only by 1 (one) Local Government.

Point b

Sufficiently clear.

Point c

Sufficiently clear.

Point d

Sufficiently clear

Point e

Sufficiently clear.

Section (2)

Sufficiently clear.

Article 7

Sufficiently clear.

Article 8

The term “provision of public benefits” includes, among others:

- a. pioneering efforts in the form of providing quality goods and/or services that are affordable to the community; and
- b. efforts to provide drinking water services that are more efficient when compared to provision by Regional apparatus.

Article 9

Section (1)

Point a

Needs of Region are assessed through studies that cover aspects of public services and community needs, including drinking water, markets, and transportation.

Point b

Sufficiently clear.

Section (2)

Sufficiently clear.

Section (3)

Sufficiently clear.

Section (4)

Sufficiently clear.

Section (5)

The term “part of the RPJMD policy” means that the ROE is a way or strategy to achieve the RPJMD objectives.

Section (6)

Sufficiently clear.

Article 10

Section (1)

Sufficiently clear.

Section (2)

Point a

Sufficiently clear.

Point b

Sufficiently clear.

Point c

Sufficiently clear.

Point d

The term 'Perda documents on the APBD' include a summary of the APBD and a list of Regional Equity Participation.

Point e

Sufficiently clear.

Section (3)

Sufficiently clear.

Article 11

Sufficiently clear.

Article 12

Section (1)

Sufficiently clear.

Section (2)

Provisions regarding the writing of the name ROE of a Regional public corporation are intended to distinguish it from a private company. For example: Regional public corporation XYZ or Perumda XYZ.

Article 13

Sufficiently clear.

Article 14

Section (1)

Sufficiently clear.

Section (2)

Provisions regarding the writing of the name ROE of a Regional limited liability company to distinguish it from a private company.

For example: Regional limited liability company XYZ. Section (3)

Section (3)

Provisions regarding the writing of the name of ROE as a Regional limited liability company to distinguish it from a private company. For example: PT XYZ (Perseroda).

Article 15

Sufficiently clear.

Article 16

Sufficiently clear.

Article 17

Sufficiently clear.

Article 18

Sufficiently clear.

Article 19

Section (1)

Sufficiently clear.

Section (2)

Point a

The term "APBD" also includes APBD projects managed by ROE and/or Regional receivables from ROE, which are used as Regional Equity Participation.

Point b

The term "conversion of loans" means a Regional loan that is converted in the form of Regional equity participation in ROE.

Section (3)

Point a

Sufficiently clear.

Point b

Sufficiently clear.

Point c

The term "other sources" means loans from bank or non-bank financial institutions in accordance with the provisions of legislation.

Section (4)

Sufficiently clear.

Section (5)

Point a

The term "capitalization of reserves" means the addition of paid-up capital from reserves.

Point b

The term "asset revaluation gains" means the difference in revaluation of assets which results in an increase in the value of assets.

Point c

The term "share premium" means the excess of the sale of shares over their nominal value.

Article 20

Sufficiently clear.

Article 21

Sufficiently clear.

Article 22

Sufficiently clear.

Article 23

Section (1)

Point a

Sufficiently clear.

Point b

Sufficiently clear.

Point c

The assignment of the Local Government to ROE must be adjusted to the type of assignment of the Local Government and the objectives of ROE.

Section (2)

The term "ROE business plan" is details of activities with a minimum period of 3 (three) years or what is called a business plan.

Article 24

Sufficiently clear.

Article 25

Sufficiently clear.

Article 26

Section (1)

Share ownership of 51% (fifty-one percent) by 1 (one) Region is calculated from the total paid-up capital of the shareholders. for example: the total paid-up capital is Rp.1,000,- then the shareholding of 1 (one) Local Government is $51\% \times \text{Rp.1,000} = \text{Rp.510-}$.

Section (2)

Sufficiently clear.

Section (3)

Sufficiently clear.

Section (4)

Sufficiently clear.

Article 27

Sufficiently clear.

Article 28

Sufficiently clear.

Article 29

Sufficiently clear.

Article 30

Sufficiently clear.

Article 31

Sufficiently clear.

Article 32

Sufficiently clear.

Article 33

Sufficiently clear.

Article 34

Sufficiently clear.

Article 35

Sufficiently clear.

Article 36

Sufficiently clear.

Article 37

Sufficiently clear.

Article 38

Sufficiently clear.

Article 39

Sufficiently clear.

Article 40

Sufficiently clear.

Article 41

Section (1)

Sufficiently clear.

Section (2)

The term “professional institution” means a government or private institution that is competent in its field.

Section (3)

Sufficiently clear.

Article 42

Sufficiently clear.

Article 43

Sufficiently clear.

Article 44

Sufficiently clear.

Article 45

Sufficiently clear.

Article 46

Sufficiently clear.

Article 47

Sufficiently clear.

Article 48

Section (1)

Sufficiently clear.

Section (2)

Point a

Sufficiently clear.

Point b

Sufficiently clear.

Point c

Sufficiently clear.

Point d

Sufficiently clear.

Point e

Sufficiently clear.

Point f

Sufficiently clear.

Point g

Provisions of other legislation such as Law Number 23 of 2014 on Local Governments which stipulates that members of DPRD are prohibited from holding concurrent positions as employees of ROE or other bodies whose budgets are sourced from the APBD.

Article 49

Sufficiently clear.

Article 50

Sufficiently clear.

Article 51

Section (1)

Point a

Sufficiently clear.

Point b

Sufficiently clear.

Point c

The term “may cause a conflict of interest” means the condition of a member of the Board of Supervisors or a member of the Board of Commissioners who has a personal interest to benefit themselves and/or others in the use of authority so as to affect the neutrality and quality of decisions and/or actions made and/or taken.

Section (2)

Sufficiently clear.

Section (3)

Sufficiently clear.

Article 52

Sufficiently clear.

Article 53

Sufficiently clear.

Article 54

Sufficiently clear.

Article 55

Sufficiently clear.

Article 56

Section (1)

Sufficiently clear.

Section (2)

The term “certain circumstances” means an urgent situation that requires a quick decision and it is not possible to hold a meeting.

Section (3)

Sufficiently clear.

Article 57

Section (1)

The term “management” means activities carried out by the Board of Directors in an effort to achieve the aims and objectives of the ROE.

Section (2)
Sufficiently clear.

Article 58
Sufficiently clear.

Article 59
Sufficiently clear.

Article 60
Section (1)
Sufficiently clear.
Section (2)
The term “professional institution” means a government or private institution that is competent in its field.
Section (3)
Sufficiently clear.

Article 61
Section (1)
The term “performance contract” means a statement of corporate intent which contains, among other things, a promise or statement by the Board of Directors to fulfill the targets set by the KPM or GMS.
Section (2)
Sufficiently clear.
Section (3)
Sufficiently clear.
Section (4)
Sufficiently clear.

Article 62
Sufficiently clear.

Article 63
Sufficiently clear.

Article 64
Sufficiently clear.

Article 65
Sufficiently clear.

Article 66
Sufficiently clear.

Article 67
Sufficiently clear.

Article 68
Sufficiently clear.

Article 69
Section (1)
Point a
Sufficiently clear.

Point b

Sufficiently clear.

Point c

The term “may cause a conflict of interest” means the condition of a member of the Board of Directors who has a personal interest to benefit himself/herself and/or others in the use of authority, so as to affect the neutrality and quality of the decisions and/or actions made and/or performed.

Section (2)

Sufficiently clear.

Section (3)

Sufficiently clear.

Article 70

Sufficiently clear.

Article 71

Sufficiently clear.

Article 72

Section (1)

Sufficiently clear.

Section (2)

The term “certain circumstances” means an urgent situation that requires a quick decision and a meeting cannot be held.

Section (3)

Sufficiently clear.

Article 73

Sufficiently clear.

Article 74

Sufficiently clear.

Article 75

Sufficiently clear.

Article 76

Sufficiently clear.

Article 77

Sufficiently clear.

Article 78

Sufficiently clear.

Article 79

Sufficiently clear.

Article 80

Sufficiently clear.

Article 81

Section (1)

The term “internal supervisory unit” means a unit established by the president director to provide independent and objective assurance on

financial reporting and to perform consulting activities for management with the aim of increasing value and improving ROE operations through evaluating and improving the effectiveness of risk management, control, and corporate governance.

The form of the internal supervisory unit adjusts to the provisions of the legislation governing the business sector concerned, for example in the banking sector, the internal supervisory unit is headed by a compliance director.

Section (2)

Sufficiently clear.

Section (3)

Sufficiently clear.

Article 82

Sufficiently clear.

Article 83

Sufficiently clear.

Article 84

Sufficiently clear.

Article 85

Sufficiently clear.

Article 86

Sufficiently clear.

Article 87

Sufficiently clear.

Article 88

Sufficiently clear.

Article 89

Sufficiently clear.

Article 90

Sufficiently clear.

Article 91

Sufficiently clear.

Article 92

Sufficiently clear.

Article 93

Sufficiently clear.

Article 94

Section (1)

Sufficiently clear.

Section (2)

Point a

The term of the principle of "transparency" means openness in carrying out decision-making processes and openness in disclosing relevant information about the company.

Point b

The term of the principle of "accountability" means clarity of function, implementation, and accountability of the organs so that the management of the company is carried out effectively.

Point c

The term of the principle of "responsibility" means conformity in the management of the company to the legislation and sound corporate principles.

Point d

The term of the principle of "independence" means a situation where the company is managed professionally without conflict of interest and influence/pressure from any party that is not in accordance with the provisions of legislation and sound corporate principles.

Point e

The term of the principle of "fairness" means fairness and equality in fulfilling the rights of stakeholders arising based on the following agreement and legislation.

Section (3)

Sufficiently clear.

Section (4)

The Good Corporate Governance Manual includes, among others, a board manual, risk management manual, internal control system, internal control system, reporting mechanism for alleged irregularities in the ROE concerned, information technology governance, and code of conduct.

Section (5)

Sufficiently clear.

Article 95

Sufficiently clear.

Article 96

Sufficiently clear.

Article 97

Sufficiently clear.

Article 98

Sufficiently clear.

Article 99

Sufficiently clear.

Article 100

Sufficiently clear.

Article 101

Sufficiently clear.

Article 102

Sufficiently clear.

Article 103

Sufficiently clear.

Article 104

In the event that the net profit of a Regional public corporation in the current financial year has not entirely covered the accumulated losses of the Regional public corporation from the previous financial year, the Regional public corporation may not distribute dividends because the Regional public corporation still has a negative net profit balance.

Article 105

Sufficiently clear.

Article 106

Sufficiently clear.

Article 107

Sufficiently clear.

Article 108

Sufficiently clear.

Article 109

Sufficiently clear.

Article 110

Sufficiently clear.

Article 111

Sufficiently clear.

Article 112

Sufficiently clear.

Article 113

Sufficiently clear.

Article 114

Sufficiently clear.

Article 115

Sufficiently clear.

Article 116

Sufficiently clear.

Article 117

Section (1)

Regulatory restructuring is aimed at adjusting regional legal products to create a healthy business climate resulting in competition, efficiency and optimal services.

Section (2)

Sufficiently clear.

Section (3)
Sufficiently clear.

Article 118
Sufficiently clear.

Article 119
Sufficiently clear.

Article 120
Sufficiently clear.

Article 121
Sufficiently clear.

Article 122
Sufficiently clear.

Article 123

Section (1)

Point a

The term “sale of shares to customers” means the sale of a portion of ROE shares to customers of the ROE concerned directly or customer stock ownership plans (CSOPs).

Point b

The term "sale of shares to ROE employees" means the sale of a portion of ROE shares to employees of the ROE concerned directly or employee stock ownership plans (ESOPs).

Point c

The term “sale of shares based on capital market provisions” includes the sale of shares through a public offering or Initial Public Offering, issuance of convertible bonds, and other equity securities.

Those included in this definition are the sales of shares to strategic partners (direct placement) for ROEs that have been listed on the stock exchange.

Point d

The term “direct sale of shares to investors” means the sale of shares to strategic partners or direct placement or to other investors including financial investors.

Section (2)

Sufficiently clear.

Article 124
Sufficiently clear.

Article 125
Sufficiently clear.

Article 126
Sufficiently clear.

Article 127
Sufficiently clear.

Article 128
Sufficiently clear.

Article 129
Sufficiently clear.

Article 130
Sufficiently clear.

Article 131
Sufficiently clear.

Article 132
Sufficiently clear.

Article 133
Sufficiently clear.

Article 134
Sufficiently clear.

Article 135
Sufficiently clear.

Article 136
Sufficiently clear.

Article 137
Sufficiently clear.

Article 138
Sufficiently clear.

Article 139
Sufficiently clear.

Article 140
Sufficiently clear.