

GOVERNMENT OF REGENCY OF GRESIK

REGIONAL REGULATION OF REGENCY OF GRESIK

NUMBER 14 YEAR 2013

ON

GIRI TIRTA REGIONAL WATER COMPANY OF REGENCY OF GRESIK

BY THE BLESSINGS OF ALMIGHTY GOD

THE REGENT OF GRESIK,

Considering: a. that in order to further improve service performance to the community and the function of the Gresik Regency Regional Water Company as an independent Regional Company based on sound economic principles, it is necessary to reorganize the organizational structure and staffing of the Gresik Regency Regional Water Company;

b. that Regional Regulation of Gresik Regency Number 4 of 1986 on the Gresik Regency Regional Water Company still has shortcomings, cannot accommodate the development of community needs and the demands of regional autonomy, therefore it needs to be replaced;

c. that based on the considerations referred to in points a and b, it is necessary to issue a Regional Regulation of Gresik Regency on the Giri Tirta Regional Water Company of Gresik Regency;

Considering: 1. Section 18, section (6) of the 1945 Constitution of the Republic of Indonesia;

2. Law Number 12 of 1950 on the Establishment of Regency Areas within the Province of East Java as amended by Law Number 2 of 1965 on the Change of the Boundary of Surabaya Municipality and Type II Surabaya Region (State Gazette of the Republic of Indonesia of 1965 Number 19, Supplement to the State Gazette of the Republic of Indonesia Number 2730);

3. Law Number 5 of 1962 on Regional Enterprises (State Gazette of the Republic of Indonesia of

- 1962 Number 10, Supplement to the State Gazette of the Republic of Indonesia Number 2387);
4. Law Number 8 of 1999 on Consumer Protection (State Gazette of the Republic of Indonesia of 1999 Number 42, Supplement to the State Gazette of the Republic of Indonesia Number 3821);
  5. Law Number 28 of 1999 on Clean and Corruption-Free State Administration (State Gazette of the Republic of Indonesia of 1999 Number 75, Supplement to the State Gazette of the Republic of Indonesia Number 3851);
  6. Law Number 13 of 2003 on Manpower (State Gazette of the Republic of Indonesia of 2003 Number 39, Supplement to the State Gazette of the Republic of Indonesia Number 4279);
  7. Law Number 17 of 2003 on State Finances (State Gazette of the Republic of Indonesia of 2003 Number 47, Supplement to the State Gazette of the Republic of Indonesia Number 4286);
  8. Law Number 1 of 2004 on State Treasury (State Gazette of the Republic of Indonesia of 2004 Number 5, Supplement to the State Gazette of the Republic of Indonesia Number 4355);
  9. Law Number 7 of 2004 on Water Resources (State Gazette of the Republic of Indonesia of 2004 Number 32, Supplement to the State Gazette of the Republic of Indonesia Number 4377);
  10. Law Number 32 of 2004 on Regional Government (State Gazette of the Republic of Indonesia of 2004 Number 125, Supplement to the State Gazette of the Republic of Indonesia Number 4437) as amended for the second time by Law Number 12 of 2008 on the second amendment to Law Number 32 of 2004 on Regional Government (State Gazette of the Republic of Indonesia of 2008 Number 59, Supplement to the State Gazette of the Republic of Indonesia Number 4844);
  11. Law Number 25 of 2009 on Public Services (State Gazette of the Republic of Indonesia of 2009 Number 68, Supplement to the State Gazette of the Republic of Indonesia Number 5038);
  12. Law Number 12 of 2011 on the Formation of Legislation (State Gazette of the Republic of Indonesia of 2011 Number 82, Supplement to the State Gazette of the Republic of Indonesia Number 5234);
  13. Government Regulation Number 16 of 2005 on the Development of Drinking Water Supply Systems (State Gazette of the Republic of Indonesia of 2005 Number 33, Supplement to the State Gazette of the Republic of Indonesia Number 4490);
  14. Government Regulation Number 58 of 2005 on Regional Financial Management (State Gazette of the Republic of Indonesia of 2005 Number 140, Supplement to the State Gazette of the Republic of Indonesia Number 4578);

15. Government Regulation Number 79 of 2005 on Guidelines for Guidance and Supervision of Regional Governance (State Gazette of the Republic of Indonesia of 2005 Number 165, Supplement to the State Gazette of the Republic of Indonesia Number 4593);
16. Government Regulation Number 6 of 2006 on the Management of State/Regional Assets (State Gazette of the Republic of Indonesia of 2006 Number 20, Supplement to the State Gazette of the Republic of Indonesia Number 4609) as amended by Government Regulation Number 38 of 2008 on Amendment to Government Regulation Number 6 of 2006 on the Management of State/Regional Assets (State Gazette of the Republic of Indonesia of 2008 Number 78, Supplement to the State Gazette of the Republic of Indonesia Number 4855);
17. Government Regulation Number 38 of 2007 on the Division of Government Affairs between the Central Government, Provincial Governments, and Regency/City Governments (State Gazette of the Republic of Indonesia of 2007 Number 82, Supplement to the State Gazette of the Republic of Indonesia Number 4737);
18. Government Regulation Number 1 of 2008 on Government Investment (State Gazette of the Republic of Indonesia of 2008 Number 14, Supplement to the State Gazette of the Republic of Indonesia Number 4812) as amended by Government Regulation Number 49 of 2011 (State Gazette of the Republic of Indonesia of 2011 Number 124);
19. Regulation of the Minister of Home Affairs Number 1 of 1984 on the Procedures for Guidance and Supervision of Regional Enterprises within Regional Governments;
20. Regulation of the Minister of Home Affairs Number 23 of 2006 on Technical Guidelines and Procedures for Regulating Drinking Water Tariffs at Regional Water Companies;
21. Regulation of the Minister of Home Affairs Number 2 of 2007 on the Organization and Staffing of Regional Water Companies;
22. Decision of the Minister of Home Affairs Number 47 of 1999 on Guidelines for Performance Evaluation of Regional Water Companies;
23. Decision of the Minister of Regional Autonomy Number 8 of 2000 on Guidelines for Accounting for Regional Water Companies;
24. Decision of the Minister of Home Affairs and Regional Autonomy Number 43 of 2000 on Guidelines for Cooperation between Regional Enterprises and Third Parties;
25. Regulation of the Minister of Home Affairs Number 53 of 2011 on the Formation of Regional

Legal Products;

26. Regional Regulation Number 2 of 2008 on the Regional Apparatus Organization of Gresik Regency (Regional Gazette of Gresik Regency of 2008 Number 2) as amended twice by Regional Regulation of Gresik Regency Number 2 of 2013 on Amendment to Regional Regulation Number 2 of 2008 on the Regional Apparatus Organization of Gresik Regency (Regional Gazette of Gresik Regency of 2013 Number 2);

With Joint Consent

THE REGIONAL HOUSE OF REPRESENTATIVES OF REGENCY OF GRESIK

And

THE REGENT OF GRESIK

DECIDE:

To enact: REGIONAL REGULATION ON THE GIRI TIRTA REGIONAL WATER COMPANY OF REGENCY OF GRESIK.

## CHAPTER I

### GENERAL PROVISIONS

#### Article 1

In this Regional Regulation:

1. Region means the Regency of Gresik.
2. Regional Government means the Gresik Regency Government.
3. Regent means the Regent of Gresik.
4. Regional Secretary means the Secretary of Regency of Gresik.
5. Regional Owned Enterprise, hereinafter abbreviated as ROPE, means a business enterprise whose establishment is initiated by the Regional Government and all or most of whose capital is owned by the Region through direct participation originating from separated regional assets formed

specifically as an organizer.

6. Giri Tirta Regional Water Company of Gresik Regency, hereinafter referred to as PDAM Giri Tirta, is a ROPE operating in the field of Drinking Water Supply services.

7. The Board of Directors means the Board of Directors of PDAM Giri Tirta.

8. The Supervisory Board means the Supervisory Board of PDAM Giri Tirta.

9. Employee means Employee of PDAM Giri Tirta.

10. Drinking Water Supply means the activity of providing drinking water to meet the needs of the community in order to obtain a healthy, clean and productive life.

11. Drinking Water Supply System, hereinafter abbreviated as DWSS, is an integrated system of physical (technical) and non-physical infrastructure and facilities for drinking water.

12. Drinking water means water that, through processing or without processing, meets health requirements and can be drunk directly.

13. Raw water for drinking water, hereinafter referred to as raw water, is water utilized by the Regional Water Company which can originate from surface water sources, groundwater basins and/or rainwater that meets certain quality standards as raw water for drinking water.

14. Regional Capital means separated assets of the Regional Government, in the form of money or goods that can be valued in money.

15. Guidance means activities to improve the ability of ROEs in good regional company management and to support the goals of regional companies in improving their ability to provide services to customers and in obtaining optimal profits.

16. Supervision means the entire process of active assessment of the Regional Enterprise to ensure that the Regional Enterprise carries out its functions well and successfully achieves its set goals.

17. Audit means an activity to assess the Regional Enterprise by comparing the actual situation with what should be done, both in financial matters and/or in technical operational matters.

18. Production Service means net profit after deducting depreciation, reserve funds, and reasonable reductions in the company.

19. Net profit means the excess of income over expenses incurred in the process of generating income after deducting PDAM Giri Tirta income tax in a specific fiscal year.

20. Sub-district means sub-district within the Regional Government.

21. Parcel means a plot of land with or without buildings, controlled by an individual or entity

according to the last condition of control and which will or has been using drinking water from the Regional Water Company.

22. Hydrant means a facility for distributing drinking water to locations not yet reached by drinking water lines;

## CHAPTER II

### NAME AND LEGAL STATUS

#### Article 2

(1) The Gresik Regency Regional Water Company is named the Giri Tirta Regional Water Company of Gresik Regency.

(2) PDAM Giri Tirta is headquartered and has its main office in the Regency Capital.

(3) PDAM Giri Tirta opens branch offices and units headquartered and located in the Sub-districts.

## CHAPTER III

### PURPOSE, OBJECTIVES, AND BUSINESS FIELD

#### Part One

##### Purpose and Objectives

#### Article 3

PDAM Giri Tirta is established with the purpose and objectives to:

- a. carry out the business of managing drinking water for public interest in sufficient quantity and quality, as well as other businesses in the field of drinking water;
- b. carry out the development of DWSS, including:
  1. raw water unit;
  2. production unit;
  3. distribution unit;

4. service unit; and

5. management unit;

c. meet the drinking water needs of the community by prioritizing equitable service and health requirements as well as environmental conservation; and

d. improve the health and productivity of the community and encourage regional economic growth as one source of Local Revenue.

## Part Two

### Business Field

#### Article 4

(1) The business field of PDAM Giri Tirta is to manage DWSS for community needs and other businesses in the field of drinking water provision.

(2) The DWSS referred to in section (1) can be carried out through a piped network system and/or not through a piped network.

(3) DWSS with piped networks as referred to in section (2) includes raw water units, production units, distribution units, service units, and management units.

(4) DWSS not through piped networks as referred to in section (2) includes, among others, water terminals, water tankers, and other forms that are possible.

(5) DWSS as referred to in section (1) is carried out to expand service coverage through increased production capacity, transmission networks, and distribution in accordance with community needs.

## CHAPTER IV

### CAPITAL AND FUNDING

## Part One

### Capital

#### Article 5

- (1) The capital of PDAM Giri Tirta consists entirely or partially of separated regional assets.
- (2) The authorized capital of PDAM Giri Tirta is Rp. 47,806,429,432 (forty-seven billion eight hundred and six million four hundred and twenty-nine thousand four hundred and thirty-two Rupiah) based on the auditors report on December 31, 2012.
- (3) Capital participation for the development of PDAM Giri Tirta is determined by a separate Regional Regulation.

## Part Two

### Funding

#### Article 6

PDAM Giri Tirta can seek its own funding sources in its business development with the approval of the Regent, which can be obtained through:

- a. its own capital profits;
- b. loans;
- c. private sector cooperation;
- d. private grants/donations; and
- e. community fundraising.

## CHAPTER V

### ORGANIZATION

## Part One

### Organizational Structure

#### Article 7

- (1) PDAM Giri Tirta, formed by the Regional Government, is supported by an organizational structure and staffing.
- (2) The organizational structure of PDAM Giri Tirta consists of:



- a. The Regent as the capital owner;
- b. The Supervisory Board; and
- c. The Board of Directors.

## Part Two

### Supervisory Board

#### Paragraph 1

#### Composition and Term of Office of the Supervisory Board

#### Article 8

(1) The Supervisory Board consists of:

- a. Regional Government officials;
- b. professionals; and
- c. consumer representatives;

who are appointed and dismissed by the Regent.

(2) The age limit for the Supervisory Board members is in accordance with applicable regulations.

(3) To be appointed as a member of the Supervisory Board, the following requirements must be met:

- a. mastery of PDAM Giri Tirta management;
- b. availability of sufficient time to carry out their duties;
- c. no family ties with the Regent, other Supervisory Board members, or Board of Directors members up to the third degree, both lineal and collateral, including sons-in-law and siblings-in-law;
- d. if a family relationship occurs after the appointment, to continue their position, written permission from the Regent is required; and
- e. not a member of a political party.

(4) The number of Supervisory Board members shall not exceed 3 (three) persons, one of whom is elected as the chairperson and member, and one as the secretary and member.

(5) The term of office of Supervisory Board members is a maximum of 3 (three) years and can be reappointed once.

(6) The appointment of Supervisory Board members as referred to in section (1) is determined by a

Decision of the Regent.

(7) Reappointment is carried out if the Supervisory Board member is proven to be able to supervise the activities of the Board of Directors and provide opinions and suggestions to the Regent so that PDAM Giri Tirta is able to improve its performance and service in meeting the community's drinking water needs.

(8) The Supervisory Board is given an income in the form of service fees, determined by a Decision of the Regent.

(9) The requirements and procedures for the appointment and dismissal of the Supervisory Board are further regulated in a Regent's Regulation.

## Paragraph 2

### Duties and Authorities of the Supervisory Board

## Article 9

(1) The Supervisory Board has the following duties:

- a. to supervise, control, and guide the management and administration of PDAM Giri Tirta;
- b. to provide consideration and suggestions to the Regent, whether requested or not, for the improvement and development of PDAM Giri Tirta, including the appointment of the Board of Directors, the work program submitted by the Board of Directors, the plan for changing the status of PDAM Giri Tirta's assets, the loan plan stipulated in a legal agreement with other parties, as well as receiving, examining quarterly reports and signing the annual report jointly with the Board of Directors; and
- c. to examine and submit the PDAM Giri Tirta Strategic Plan and the Annual Work and Budget Plan prepared by the Board of Directors to the Regent for approval.

(2) In carrying out its duties, the Supervisory Board has the authority to:

- a. assess the performance of the Board of Directors in managing PDAM Giri Tirta;
- b. request information from the Board of Directors regarding the management and development of PDAM Giri Tirta;
- c. assess the quarterly reports and annual reports submitted by the Board of Directors;
- d. give warnings to the Board of Directors that do not carry out their duties in accordance with the

approved work program;

e. examine Board of Directors members suspected of harming PDAM Giri Tirta;

f. propose the appointment, temporary dismissal, rehabilitation, and dismissal of the Board of Directors to the Regent; and

g. provide approval for the proposed organizational structure and work procedures of PDAM Giri Tirta.

### Paragraph 3

#### Supervisory Board Secretariat

### Article 10

(1) To assist in the smooth running of the Supervisory Boards duties, a Supervisory Board Secretariat can be formed, the management of which is determined by a Decision of the Chairperson of the Supervisory Board;

(2) The Supervisory Board Secretariat as referred to in section (1) has a maximum of 3 (three) members;

(3) All costs related to the establishment of the Supervisory Board Secretariat are charged to the PDAM Giri Tirta Budget, taking into account the efficiency of PDAM Giri Tirta financing.

### Paragraph 4

#### Income

### Article 11

(1) The Supervisory Boards income consists of:

a. Service fees;

b. Production Service;

c. Other income.

(2) The regulation of income as referred to in section (1) is stipulated in the Regents Regulation, taking into account the capacity of PDAM Giri Tirta.

## Paragraph 5

### Dismissal of the Supervisory Board

#### Article 12

(1) The Supervisory Board ceases to hold office due to:

- a. the end of their term of office; or
- b. death.

(2) The Supervisory Board is dismissed due to:

- a. their own request;
- b. reorganization;
- c. actions that harm PDAM Giri Tirta;
- d. actions or attitudes that contradict the interests of the region or the country;
- e. inability to carry out their duties;
- f. the termination of their position as a Regional Government official, for Supervisory Board members from the Regional Government element;
- g. involvement in criminal acts; and/or
- h. due to health reasons, they are unable to carry out their duties.

## Part Three

### Board of Directors

## Paragraph 1

### Appointment

#### Article 13

(1) The Board of Directors is appointed and dismissed by the Regent upon the proposal of the Supervisory Board.

(2) The age limit for Board of Directors members from outside PDAM Giri Tirta at the time of their first appointment is a maximum of 50 (fifty) years old.

(3) The age limit for Board of Directors members from PDAM Giri Tirta at the time of their first

appointment is a maximum of 55 (fifty-five) years old.

(4) The term of office of the Board of Directors ends when the person concerned reaches the age of 60 (sixty) years.

#### Article 14

(1) Prospective Board of Directors members must meet the following requirements:

- a. possess a Bachelors Degree (S-1);
- b. have a minimum of 10 (ten) years of work experience for those from PDAM Giri Tirta or a minimum of 15 (fifteen) years of experience managing companies for those not from PDAM Giri Tirta, proven by a certificate (reference) from the previous company with a good assessment;
- c. pass drinking water management training at home or abroad, proven by certification or diploma;
- d. willing to work full-time;
- e. no family ties with the Regent, Supervisory Board members, or other Board of Directors members up to the third degree, both lineal and collateral, including siblings-in-law and sons-in-law; and
- f. pass the eligibility and compliance test carried out by an independent expert team appointed by the Regent.

(2) The technical procedures and requirements regarding the appointment and dismissal of the Board of Directors as referred to in section (1) are regulated in the Regents Regulation.

#### Article 15

(1) The number of Board of Directors members is determined based on the number of PDAM Giri Tirta customers, with the following provisions:

- a. 1 (one) Board of Directors member for the number of customers up to 30,000;
- b. a maximum of 3 (three) Board of Directors members for the number of customers from 30,001 to 100,000; and
- c. a maximum of 4 (four) Board of Directors members for the number of customers above 100,000.

(2) The determination of the number of Board of Directors members as referred to in section (1), points b and c, is carried out based on the principles of efficiency and effectiveness in the management and administration of PDAM Giri Tirta.

(3) For the Board of Directors with a maximum of 3 (three) and 4 (four) members as referred to in

section (1), points b and c, one of them is appointed as the President Director based on the best assessment of the eligibility and suitability test conducted by the team formed by the Regent for all Board of Directors members.

## Paragraph 2

### Prohibition

## Article 16

(1) The Board of Directors is prohibited from holding concurrent positions, namely:

- a. structural and functional positions in Central and Regional Government institutions/agencies;
- b. Board of Directors members in other ROEs, SOEs, and private companies;
- c. positions that may create a conflict of interest in PDAM Giri Tirta; and/or
- d. other positions according to personal interests, directly or indirectly, which may create a conflict of interest in PDAM Giri Tirta.

(2) The Board of Directors may not have a direct or indirect personal interest that may create a conflict of interest in PDAM Giri Tirta.

## Paragraph 3

### Term of Office

## Article 17

(1) The term of office of Board of Directors members is 4 (four) years and can be reappointed once.

(2) Excluded from section (1) is when a Director is appointed as President Director.

(3) Reappointment as referred to in section (1) is carried out if the Board of Directors member is proven to be able to improve the performance of PDAM Giri Tirta and the service of drinking water needs to the community each year.

## Article 18

(1) If a Board of Directors member leaves or is dismissed before the end of their term, the term of office of their replacement is the remaining term of office of the Board of Directors member they

replace.

(2) If, by the end of the Board of Directors term of office, the appointment of a new Board of Directors is still in progress, the Regent may appoint/appoint the former Board of Directors or Structural Officials of PDAM as interim Board of Directors.

(3) The provisions for the appointment of an interim Board of Directors as referred to in section (2) are regulated in the Regents Regulation.

(4) The term of office of the interim Board of Directors as referred to in section (2) is a maximum of 6 (six) months from the date of appointment by the Regent.

#### Paragraph 4

#### Duties and Authorities

#### Article 19

(1) The Board of Directors has the following duties:

- a. to prepare plans, coordinate, and supervise all operational activities;
- b. to guide Employees;
- c. to manage and administer the assets of PDAM Giri Tirta;
- d. to lead and control all activities of PDAM Giri Tirta;
- e. to manage general administration and finances;
- f. to prepare a five-year corporate strategic plan (business plan/corporate plan) approved by the Regent through a proposal from the Supervisory Board;
- g. to prepare and submit the PDAM Giri Tirta Annual Business and Budget Plan, which is the annual breakdown of the Strategic Business Plan (business plan/corporate plan) to the Regent through the Supervisory Board; and
- h. to prepare and submit reports on all activities of PDAM Giri Tirta.

(2) In carrying out the duties referred to in section (1), the Board of Directors has the authority to:

- a. appoint and dismiss employees of PDAM Giri Tirta based on the PDAM Giri Tirta Employment Regulations;
- b. determine the organizational structure and work procedures of PDAM Giri Tirta with the approval of the Supervisory Board;

- c. appoint employees holding positions below the Board of Directors;
- d. represent PDAM Giri Tirta in and out of court;
- e. appoint an agent to perform legal actions representing PDAM Giri Tirta;
- f. sign the Company Report;
- g. sell, mortgage, or dispose of assets owned by PDAM Giri Tirta based on the approval of the Regent upon consideration by the Supervisory Board; and
- h. obtain loans, enter into cooperation agreements with other parties that guarantee PDAM Giri Tirta assets based on the Regents approval upon consideration by the Supervisory Board by mortgaging company assets.

## Article 20

- (1) The reports referred to in Article 19, section (1), point f consist of Quarterly Reports and Annual Reports.
- (2) The Quarterly Reports as referred to in section (1) consist of operational and financial activity reports submitted to the Supervisory Board.
- (3) The Annual Reports as referred to in section (1) consist of audited financial statements and management reports signed jointly by the Board of Directors and the Supervisory Board and submitted to the Regent.
- (4) The annual report as referred to in section (3) is submitted no later than 120 (one hundred and twenty) days after the PDAM Giri Tirta fiscal year is closed for approval by the Regent no later than 30 (thirty) days after receipt.
- (5) The Board of Directors disseminates the Annual Report through the mass media no later than 15 (fifteen) days after approval by the Regent.
- (6) Board of Directors or Supervisory Board members who do not sign the Annual Report as referred to in section (3) must state their reasons in writing.

## Paragraph 5

### Income and Entitlements

## Article 21



- (1) The Board of Directors income consists of salary and allowances.
- (2) The allowances as referred to in section (1) consist of:
  - a. health allowance; and
  - b. other allowances that are legally permissible.
- (3) If PDAM Giri Tirta makes a profit, the Board of Directors receives a share of the production service.
- (4) The amount of salary, allowances, and share of production service as referred to in section (1), section (2), and section (3) is determined by a Decision of the Regent after considering the opinion of the Supervisory Board and the capacity of PDAM Giri Tirta.
- (5) The total cost for the income of the Board of Directors, Supervisory Board honorariums, employee salaries, and other labor costs may not exceed 40% (forty percent) of the total realization of the Companys Budget in the current fiscal year.

## Paragraph 6

### Leave

## Article 22

- (1) Board of Directors members are entitled to the following leave:
  - a. Annual leave;
  - b. Long leave;
  - c. Sick leave;
  - d. Leave for important reasons or leave for pilgrimage;
  - e. Marriage leave;
  - f. Maternity leave; and
  - g. leave outside the responsibility of PDAM Giri Tirta.
- (2) The implementation of leave entitlements as referred to in section (1) is carried out after obtaining approval from the Regent or the designated official.
- (3) The Board of Directors receives full salary during leave, except for leave outside the responsibility of PDAM Giri Tirta.
- (4) The implementation of leave as referred to in section (1) is further regulated in the Regents

Regulation.

## Paragraph 7

### Dismissal of the Board of Directors

## Article 23

(1) The Board of Directors ceases to hold office due to:

- a. the end of their term of office; or
- b. death.

(2) The Board of Directors is dismissed due to:

- a. their own request;
- b. reorganization;
- c. actions that harm PDAM Giri Tirta;
- d. actions or attitudes that contradict the interests of the region or the country;
- e. due to health reasons, they are unable to carry out their duties; and/or
- f. punishment based on a court decision in a criminal case that has obtained permanent legal force, with a criminal threat of more than 5 years.

## Article 24

The organizational structure and work procedures of PDAM Giri Tirta are regulated in the Regents Regulation.

## CHAPTER VI

### STAFFING

## Article 25

(1) The Board of Directors has the authority to appoint, promote, determine positions, determine salaries, allowances, and other income, grant leave, give awards, impose penalties, and dismiss employees.

(2) The requirements and procedures for the implementation of the Board of Directors authority as referred to in section (1) are further regulated by the Board of Directors in accordance with applicable legislation.

(3) The Board of Directors may employ contract workers according to the needs of PDAM Giri Tirta.

(4) Further provisions regarding the appointment and dismissal and salary system for interim Supervisory Board and Board of Directors members are regulated in the Regents Regulation.

## CHAPTER VII

### FISCAL YEAR, REPORTING, AND BUDGET

#### Article 26

(1) The PDAM Giri Tirta Budget Plan consists of the Revenue and Expenditure Budget Plan, the Cash Receipt and Payment Budget, and the Investment Budget.

(2) The fiscal year of PDAM Giri Tirta is the calendar year.

(3) No later than 3 (three) months before the end of the fiscal year, the Board of Directors submits the Draft Company Budget to the Supervisory Board for approval by the Regent.

(4) The PDAM Giri Tirta draft budget as referred to in section (1) must be determined by the Supervisory Board no later than 1 (one) month from the date of submission;

(5) The PDAM Giri Tirta Budget is approved by a Decision of the Regent.

(6) The evaluation of budget implementation is carried out by the Supervisory Board.

#### Article 27

(1) The closure of the PDAM Giri Tirta fiscal year is carried out at the end of the fiscal year, by preparing financial statements in accordance with applicable Indonesian Financial Accounting Standards, at least including:

a. Balance sheet showing the position of assets, liabilities, and capital of PDAM Giri Tirta at the close of the fiscal year;

b. Profit and loss statement showing the income and expenses of PDAM Giri Tirta during the fiscal year period;

- c. Cash flow statement showing the position of cash receipts and payments of PDAM Giri Tirta during the fiscal year period; and
  - d. Statement of changes in equity showing the increase and decrease in the equity of PDAM Giri Tirta at the close of the fiscal year.
- (2) The PDAM Giri Tirta Annual Financial Statements are audited by an External Auditor and reported to the Regent as the owner of PDAM Giri Tirta through the Supervisory Board no later than 120 (one hundred and twenty) days after the closing date of the fiscal year.
- (3) PDAM Giri Tirta is obliged to prepare and submit Quarterly Reports in addition to preparing and submitting Annual Reports.

## Article 28

- (1) PDAM Giri Tirta prepares and submits an Annual Company Work and Budget Plan (RKAP), which is part of the company's strategic plan, to the Regent for approval through the Supervisory Board no later than 1 (one) month before the PDAM Giri Tirta fiscal year begins.
- (2) If the Company Work and Budget Plan (RKAP) in the current year has not been approved, PDAM Giri Tirta may use/refer to the Company Work and Budget Plan (RKAP) of the previous year.
- (3) Changes to the Company Work and Budget Plan (RKAP) during the fiscal year can be made with the approval of the Supervisory Board and the approval of the Regent.
- (4) The procedure for approving the Annual Company Work and Budget Plan (RKAP) as referred to in sections (1), (2), and (3) is further regulated in the Regents Regulation.

## CHAPTER VIII

### DETERMINATION AND USE OF NET PROFIT

## Article 29

- (1) The use of net profit after deducting a Reserve Fund of 30% (thirty percent).
- (2) The use of net profit as referred to in section (1) is determined as follows:
- a. transferred to the Regional Government as Local Revenue (PAD) of 45% (forty-five percent); and
  - b. managed by PDAM Giri Tirta of 55% (fifty-five percent) with the following details:

1. for general reserves ..... 15%
2. for social and education ..... 15%
3. for production services ..... 15%
4. for pension and retirement funds .. 10%

(3) The details of the use of net profit as referred to in section (1) are regulated by the Regents Regulation.

(4) The use of net profit as a share for the Regional Government as referred to in section (2), point a, can be accumulated in the development of PDAM Giri Tirtas capital as long as PDAM Giri Tirtas service has not reached 80% (eighty percent) for urban areas and 60% (sixty percent) for rural areas.

## CHAPTER IX

### SERVICE AND TARIFFS

#### Part One

#### Service

#### Paragraph 1

#### Drinking Water Service

#### Article 30

(1) PDAM provides drinking water services to the community for:

- a. social purposes;
- b. households;
- c. companies; and
- d. other businesses.

(2) Companies and other businesses as referred to in section (1), points c and d, are obliged to utilize drinking water services from PDAM Giri Tirta to meet their water needs.

(3) In providing drinking water services as referred to in section (1), PDAM carries out the following

activities:

- a. producing drinking water that meets the specified quality standards in accordance with applicable legislation;
- b. distributing drinking water to customers/community;
- c. managing drinking water treatment plants and distribution networks;
- d. administrative and technical services to customers/community.

## Article 31

Drinking water services are provided by:

- a. Direct connection to the parcel;
- b. bulk water;
- c. hydrant;
- d. water terminal; and/or
- e. water distribution by tanker truck.

## Paragraph 2

### Raw Water and Production

## Article 32

PDAM must make efforts to recover raw water if the raw water that reaches the Drinking Water Treatment Plant does not meet the quality standards.

## Article 33

In producing drinking water, PDAM has the following obligations:

- a. rehabilitate, construct, and improve drinking water production facilities and infrastructure in accordance with the condition of raw water availability;
- b. operate the treatment unit according to applicable procedures with the aim of producing drinking water that meets the specified quality standards;
- c. maintain the treatment unit, production equipment, and its accessories to ensure optimal operation; and/or

d. plan and implement the security of drinking water supply systems.

### Paragraph 3

#### Transmission and Distribution

#### Article 34

- (1) The distribution of drinking water from the treatment unit to customers uses a transmission system, a distribution network system, and its accessories.
- (2) The transmission system and distribution network system as referred to in section (1), used in connecting drinking water to customer parcels, are owned by PDAM.
- (3) PDAM is authorized to develop the existing transmission and distribution systems.
- (4) PDAM is obliged to provide certainty of quality, quantity, and continuity.

#### Article 35

- (1) The development, operation, regulation, and maintenance of the distribution network are carried out in accordance with the program, needs, and provisions of applicable legislation.
- (2) The Central Government, Provincial Government, Regional Government, or other parties may develop the distribution network system to improve service to the community.
- (6) Further provisions regarding the development, operation, regulation, and maintenance of the distribution network are regulated in the Regents Regulation.

### Paragraph 4

#### Administrative and Technical Services to Customers/Community

#### Article 36

- (1) The legal relationship between PDAM and customers is regulated in an agreement.
- (2) The agreement as referred