



The implementation of the doctrine of piercing the corporate veil at regionally-owned enterprises in the perspective of the good corporate governance

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Abstract

The legal doctrine of Piercing the Corporate Veil literally means the attitude of the corporate curtain and scientifically means a process of assigning responsibility to the people who are behind the company for the actions of a legal entity. The implementation of the legal doctrine of Piercing the Corporate Veil aims to provide fairness and protection to stakeholders and shareholders who have a relationship with the company because the company is sometimes misused by the people behind the company for the personal gain which harms others. The implementation of the legal doctrine of Piercing the Corporate Veil at Regionally-Owned Enterprises (*BUMD*) was partially adopted in Law Number 40 of 2007 concerning Limited Corporation and government regulation Number 54 of 2017 concerning Regionally-Owned Enterprises as a consequence of the form of *BUMD* namely Regional Public Corporations and Regional Companies. The management of *BUMD* is carried out by organs, namely for Regional Public Corporations consisting of *KPM*, Supervisory Board and Directors, while for Regional Companies consisting of *GMS*, Commissioners and Directors. The legal doctrine of Piercing the Corporate Veil in the perspective of the good corporate governance reaffirms the importance of the principles of good faith and prudential to the organs as the people who are behind the companies in managing *BUMD*. This is urgent because the principles of good faith and prudential are the spirits of the implementation of the good corporate governance.

Keywords: *BUMD*, good corporate governance, organ, piercing the corporate veil

1. Introduction

Government Affairs are divided into 3 (three) tasks, namely absolute affairs, concurrent affairs and general government affairs^[1]. Absolute affairs which become the full authority of the central government, government affairs become the authority of the president as the head of government, while the concurrent affairs of government affairs are divided between the central government, the provincial government and the district/city government^[2]. Concurrent affairs which become the authority of the Region become the basis for the implementation of regional autonomy, concurrent affairs consist of mandatory and optional governmental affairs. Each regional government in accordance with its authority must carry out activities aimed at providing services to the community, especially to provide services on the basic needs^[3]. The task of the government can be done in the form of non-profit or profit. For non-profit activities whose funding is financed by the APBD, it is called a project^[4], whereas for activities that are managed to make profit and/or provide services (public service), a Regionally-Owned Enterprises (*BUMD*) can be formed.

BUMD is one of the forms of the role of the state in dominating the interests of the people in the economic field and getting legitimacy from the state constitution. This is in accordance with our state constitution stating that the branches of production which are important to the state and

control the livelihoods of the people are controlled by the state and used for the greatest prosperity of the people^[5], and are followed up in Article 331 of Law Number 23 of 2014 concerning Regional Government, which mandates the Regions to be able to form a Regionally-Owned Enterprises (*BUMD*)^[6].

Regionally-Owned Enterprises (*BUMD*) is a business entity whose the entire or most of its capital is owned by the region, with the aim of^[7] (1) providing benefits for the development of the regional economy in general, (2) organizing public benefits in the form of the supply of goods and/or services quality for the fulfillment of people's lives according to the conditions, characteristics and potential of the area in accordance with good corporate governance, and (3) gaining profits.

However, it must be realized that at this time, *BUMDs* have not been fully able to provide high quality goods and/or services for the community at affordable prices and have not been able to compete in global business competition, both domestically and internationally. Some factors that cause the management of *BUMDs* are inefficient so that they suffer losses and become a burden on state finances, including:

1. The blurring of the legal status and organizational structure of the *BUMD*, it is not clear whether the *BUMD* is an economic actor that has full autonomy or is it only an executor or part of the organizational structure of a government.
2. The majority of *BUMDs* do not have a corporate

¹ Pasal 9 UU no 23 tahun 2014 tentang pemerintah daerah

² ibid

³ Dedy supriyadi Bratakusumah & Dadang Solihin, *Otonomi Penyelenggaraan Pemerintahan Daerah*, PT Gramedia Pustaka Utama, Jakarta, 2002, 254

⁴ Yudho taruno Muryanto, *Tanggung Jawab Pengelolaan BUMD*, Setara Press, Malang, 2018, 1

⁵ Pasal 33 ayat (2) dan ayat (3) UUD 1945

⁶ Pasal 331 ayat (1) UU Nomor 23 Tahun 2014 tentang pemerintah daerah

⁷ Ibid Pasal 331 ayat (4).

- culture, corporate vision and mission.
- Lack of entrepreneurial spirit and professionalism of HR who manage *BUMD* so that performance and productivity are very low.
 - BUMD* is not managed with the principles of good business management (GCG) as a result of government intervention that is too large or dominant^[8].

On the other hand, one of the main issues is related to political social accountability because *BUMD* management is usually supported based on political criteria. Its close ties to politics make *BUMD* part of the absurd bureaucracy above, which often results in the interests of the status quo of political power, that is immune to criticism and the presence of corrupt bureaucracy, legislative non-aspirational and responsive, lack of reciprocal control systems that positive and constructive^[9] so that it makes *BUMD* tend to go back and forth and unable to compete. As a legal entity, *BUMD* can take legal action and can be held liable.

According to organ theory (reality) conveyed by Otto Von Gierke, the existence of a legal entity in the legal system is the same as humans as legal subjects who can carry out legal actions^[10]. In this theory, answering the challenge of how legal entities can act in the economic legal traffic. However, this theory has not been able to answer that the company's legal actions that are essentially carried out by human persons who are behind the legal entity that can be exploited by these individuals to commit disgraceful acts while it is still based on the authority of acting a legal entity that is considered as a legal subject so that the relationship of law and legal actions of the parties contained in individuals who are behind legal entities that have not been touched by the law, especially for the actions of these individuals in corporate law, specifically to account for the actions concerned to shareholders and stakeholders if the concerned person violates the sense of justice of the society. The legal phenomenon can be seen from several opportunities that can be done by individuals behind the company / legal entity as follows:

- Having the opportunity to make a company as a *vehicle* in committing legal actions that are not commendable. Among other things assume the members of the Board of Directors and the Board of Commissioners/Supervisors as if they are "employees". The capital owners/shareholders must submit to and obey the shareholders. The shareholders also often adopt policies that become the authority of the Board of Directors and/or the Board of Commissioners and make it seem like a puppet shareholder.
- Sharing nominee agreement, to fool the actual ownership of shares.
- Forming a holding company under the ultimate shareholder control^[11].

For this reason, legal experts have begun to uncover the legal curtain which is found in a legal entity, namely who

are the individuals behind a legal entity so that the concerned person can be held responsible in a doctrine known as Piercing the Corporate Veil^[12]. This theory is about to expose the veil of law behind the person who controls the legal entity.

The doctrine to unveil the company's legal veil or known as Piercing the Corporate Veil in Indonesia is still relatively new so that the development and application are still needed in the positive legal system in Indonesia.

That is because the political choice of Indonesian law which adheres to the principle of legal positivism which recites the legal doctrine of *nullum delictum sine praevia lege poenali* which means that a criminal event will not exist if the criminal provisions in the law do not exist first. The philosophical basis of the enforcement of criminal law that does not apply retroactively is manifested in Article 1 of the Criminal Code which states "No action may be punished, but on the strength of criminal provisions in existing legislation than the action" so that without the realization of the law in a provision positive law, then whatever legal action as long as it is not regulated in the normative positive law, then based on the legal positivism *mazab*, the taken legal actions are permissible.

Thus, the implementation of the corporate legal doctrine in positive law in Indonesia becomes important so that *BUMD* can be managed well (good corporate governance) in which it can support the national economic development in general and regions in particular.

The legal issues that the author wants to point out in this article were:

- Who were the individuals behind "*BUMD*" and could control "*BUMD*"?
- How was the legal doctrine of Piercing the Corporate Veil implemented at *BUMD* in the perspective of the good corporate governance?

2. Method

This study used normative research method^[13] (doctrinal legal research or pure legal research) namely the legal research that is based on the library materials or the secondary data^[14], with the statute approach^[15] and analytical descriptive that is by describing as well as analyzing the facts in accordance with identifying problems systematically and factually regarding Piercing the Corporate Veil at *BUMD*.

3. Result and Discussion

3.1 Individuals behind *BUMD*

BUMD as referred to in article 331 of Law Number 23 of 2014 concerning Regional Government, forms of *BUMD* are divided into Regional Public Companies and Regional Companies. Regional Public Corporation and Regional Corporation have unique and different characteristics. According to article 334 of Law Number 23 of 2014 concerning Regional Government, they have the following characteristics:

⁸ Muh Arief Effendi, *The Power of Good Corporate Governance: eori dan Implementasi*, Salemba Empat, Jakarta, 2009, 25

⁹ Mas Achmad Santosa, *Good Governance dan Hukum Lingkungan Lembaga Pengembangan Hukum Lingkungan Indonesia*, Jakarta, 2001, ii

¹⁰ W Stephen Mayson, *Company Law*, Blackstone Press Limited, Inggris, 1998, 161

¹¹ Try Widiyono, *Perkembangan Teori Hukum dan doktrin Hukum Piercing The Corporate Veil dalam UUPT dan Realitasnya serta Prospektif Kedepannya*, Lex Jurnalica, 2013, 10 (1): 28

¹² Freidmand Jack P, *Dictionry of Business Terms*, Barons Services Inc, New York USA, 1987, 432

¹³ Sulistyowati Irianto dan Shidarta, *Metode Penelitian Hukum :Konstelasi dan Refleksi*, Yayasan Pustaka Obor, Jakarta, 2013, 121-122

¹⁴ Soerjono Soekanto dan Sri Mamudji, *Penelitian Hukum Normatif*, Rajawali Pers, Jakarta, 2004, 13

¹⁵ Jhony Ibrahim, *Teori dan Metodologi Penelitian Hukum Normatif*, Bayumedia Publishing, Malang, 2006, 46

1. Regional Public Corporation is a *BUMD* whose entire capital is owned by one region and not divided into shares.
2. If the Regional Public Company is owned by more than one region, it must change its form to become a Company.
3. Regional Public Company may form subsidiaries and/or own shares in other companies,

On the other hand, the characteristics of Regional Corporation Companies according to article 339 of Law Number 23 of 2014 concerning Regional Government include:

1. Regional Corporation Company is a *BUMD* in the form of Limited Corporation whose the capital is divided into shares that are wholly or at least 51% (fifty one percent) of its shares owned by one region.
2. Regional Corporation Company after being stipulated by Regional Regulation as referred to in Article 331 paragraph (2) the formation of its legal entity is based on the provisions of the statutory regulation concerning Limited Corporation.
3. In the event that the shareholders of a regional company consist of several regions and not regions. One region is the majority shareholder.

According to company legal theory, *BUMD* is an “artificial person” who cannot do anything without a person/organ as a natural person^[16]. This can be interpreted that the *BUMD* can do legal actions if it is represented by the *BUMD* organ, as Hartono Soerjopraktikno meant that “Representatives can arise from the actions that intentionally intend to have the effects (*lastgeting machtiging*)^[17].

According to Article 29 paragraph (1) of government regulation Number 54 of 2017 concerning Regionally-Owned Enterprises (*BUMD*), the management of *BUMD* is carried out by *BUMD* organs. *BUMD* organs in Regional General Companies consist of: KPM, Boards of Supervisory and Directors, while *BUMD* organs in regional companies include: GMS, Commissioners and Directors.

It is the capital owner/shareholder who has the capital and ideas to establish a company, including to appoint and dismiss the Directors and/or Board of Trustees/commissioners. Thus, the company is a capital association that is given the legal entity status. To protect the interests of these stakeholders, especially related to the opportunity of the capital owner/shareholder to take legal actions, among others, to affect the company in such a way as to be contrary to the principles of propriety and fairness and to provide legal support for the existence of directors and the board of trustees/commissioners of the company in carrying out their respective duties, the legal doctrine in corporate law is often called Piercing the Corporate Veil.

Judging from the material substance and idealism contained in the legal doctrine of this corporate, actually the intended doctrine is needed as part of controlling the morals of individuals standing behind the *BUMD* organ/company in carrying out their business not to do misconduct that can harm the sense of justice of the community.

The occurrence of Piercing the Corporate Veil is when an

action is carried out by a person who is behind the *BUMD*, among others, as follows:

- a. Even if the regional head represents the regional government as the shareholder of the regional company or represents the regional government in the ownership of the regional assets separated in the regional public company (*KPM*) based on the theory of the legal entity concerned, it has only responsibilities as much as the shares owned in the company/limited to his position, but bearing in mind the authority of the shareholders through the General Meeting of Shareholders (*GMS*)/*KPM* can appoint and dismiss the members of the Board of Directors and members of the Board of Commissioners/Supervisors, and can provide certain approvals for the legal actions of directors and can provide direction and/or orders or *BUMD* policy. So, if the shareholders in carrying out the *GMS* or *KPM* use their authority to make the *BUMD* detrimental to the stakeholders, for example becoming a *BUMD* as a vehicle in committing criminal actions. Thus, for these actions, the shareholders must be held accountable not only for shares owned/limited by their position, but also must be held liable by civil law to the concerned personal property and criminal liability.
- b. The members of the Board of Directors as the party representing the company and management can take any action against the *BUMD* he manages, but based on this legal doctrine, the *BUMD* must carry out according to the purpose, business and activities as well as the objectives of the company regulated in the *BUMD* articles of association and legislation valid invitation. If there is one or more members of the board of directors who violate the principle, the relevant members of the board of directors may be asked for civil liability to the concerned personal property and criminal liability.
- c. The function of the Board of Commissioners/Supervisors is to oversee the running of *BUMD* enterprises. If the Board of Commissioners/Supervisors neglects in carrying out their functions as *BUMD* supervisors, then those can also be held responsible for personal property.

3.2 The Implementation of the Doctrine of Piercing the Corporate Veil at *BUMD* in the Perspective of the Good Corporate Governance

The doctrine of Piercing the Corporate Veil is a doctrine to open the curtain of individuals who are behind a legal entity, both the Head of the region, the members of the Board of Directors and members of the Board of Commissioners/Supervisors. Piercing the Corporate Veil, they can be held responsible for their personal property, that is, if they do not carry out their functions as organs that have the duties, authority and responsibilities stipulated in the Articles of Association and laws and regulations.

The implementation of the doctrine of piercing the corporate veil doctrine to the *BUMD* causes legal responsibility not only to be requested from the company/*BUMD* (although it is in the form of a legal entity), but also legal accountability can be requested and charged to the *BUMD* organ. Thus, the burden of responsibility is transferred to the regional head as the majority shareholders or owners, directors and board of commissioners/supervisory.

The universal doctrine of piercing the corporate veil can be

¹⁶ I.G. Rai Widjaja, *Hukum Perusahaan*, Megapoin Divisi dari Keasint Blant, Jakarta, 2000, 208.

¹⁷ Hartono Soerjopraktino, *Perwakilan berdasarkan kehendak*, Edisi kedua, PT Mustika Wikasa, Yogyakarta, 1994, vi

implemented if there are circumstances such as^[18].

- a) There is fraud;
 - b) An injustice is found;
 - c) Oppression occurs;
 - d) Does not meet legal elements (illegality)
 - e) Excessive shareholder dominance
 - f) The company is the alter ego of the majority shareholder
- The implementation of the legal doctrine of piercing the corporate veil in *BUMD* includes:

1. The burden of responsibility is transferred to the shareholders/owners

a. Article 3 paragraph (1) of the Limited Liability Company Law reads “the shareholders of the company are not personally responsible for the agreements made on behalf of the company and are not responsible for the company’s losses exceeding the owned shares”, but this is introduced in Article 3 paragraph (2) Limited Liability Company Law that the provisions in paragraph (1) do not apply if :

- 1) Requirements for the company as a legal entity have not yet been fulfilled;
- 2) The concerned shareholders either directly or indirectly in bad faith (bad) use the company for personal gain;
- 3) The relevant shareholders are involved in illegal actions committed by the company; or
- 4) The relevant shareholders, both directly and indirectly, use legal assets of the company, which cause the company’s assets to become insufficient to pay off company debt.

b. Article 31 of government regulation Number 54 of 2017 concerning Regionally-Owned Enterprises (*BUMD*) reads “*KPM* is not responsible for the loss of regional public companies if it can prove that:

- 1) it does not have personal interests either directly or indirectly;
- 2) it is not involved in unlawful acts carried out by public companies/regional companies;
- 3) it is not involved directly or indirectly using the assets of public companies/regional companies in an unlawful manner.

c. Article 34 of government regulation Number 54 of 2017 concerning Regionally-Owned Enterprises (*BUMD*) reads “Regional Head is not responsible for the loss of regional company if he can prove that:

- 1) it does not have personal interests either directly or indirectly;
- 2) it is not involved in illegal actions committed by regional government companies;
- 3) it is not directly or indirectly involved in using the assets of regional government companies in an illegal manner.

2. The burden of responsibility is transferred to the Board of directors.

a. The Board of Directors does not carry out Fiduciary duties

- 1) Article 97 paragraph (2) of the Limited Liability Company Law reads, “The management referred to in paragraph (1) must be carried out by all members of the board of directors in good faith and with full

responsibility.” And Article 97 paragraph (3) of the Limited Liability Company Law states that “every a member of the Board of Directors is personally responsible for the company’s loss if the concerned person is guilty or negligent in carrying out his duties in accordance with the provisions referred to in paragraph (2) except in accordance with article 95 paragraph (5): if he can prove that:

- a. The loss is not due to an error or omission;
- b. It has made arrangements in good faith and prudence for the benefit and in accordance with the aims and objectives of the company;
- c. It does not have a conflict of interest, either directly or indirectly, in articles 90 to article 99 concerning fraud, market manipulation and insider trading.

1. Article 55 paragraph (1) of government regulation Number 54 of 2017 concerning Regionally-Owned Enterprises (*BUMD*) Board of Directors carries out the management of *BUMD* and paragraph (2) the management of the board of directors of regional state-owned companies is carried out in accordance with the provisions of the laws and regulations governing limited ownership.

2. Article 68 of government regulation Number 54 of 2017 concerning Regionally-Owned Enterprises (*BUMD*) which reads:

- a. The members of the Board of Directors are required in good faith and responsibility to carry out tasks for the interests and business of *BUMD*.
- b. The members of the Board of Directors take full personal responsibility if the person concerned is guilty or negligent in carrying out his duties in accordance with the provisions referred to in paragraph (1)
- c. *KPM* can file a lawsuit to the court against a member of the Board of Directors who due to an error or negligence has caused a loss to the regional public company unless the concerned member of the Board of Directors can replace the resulting loss and deposit it into the regional general cash account.

b. The annual calculation document is incorrect

Article 97 paragraph (1) of government regulation Number 54 of 2017 concerning Regionally-Owned Enterprises (*BUMD*) reads “*BUMD* directors’ reports consist of monthly reports, quarterly reports and annual reports.” The referred monthly and quarterly reports consist of operational activity reports and financial reports submitted to the supervisory board or commissioners, while the annual reports consist on the audited financial statements and management reports signed with the supervisory board or commissioners then conveyed to the *KPM* or *GMS*. The annual report is approved by the *KPM* or *GMS* at the latest 30 (thirty) working days after and published to the public no later than 15 (fifteen) working days after the endorsement.

This implies that:

1. The Board of Directors must report correctly and appropriately.
2. If the report is not endorsed by the *KPM* or *GMS*, the Board of Directors must take the responsibility for it and the *KPM* or *GMS* can take steps deemed possible for the Directors.

¹⁸ Munir Fuady, *Doktrin-Doktrin Modern dalam Corporate Law dan Eksistensinya dalam Hukum Indonesia*, PT Citra Aditya Bakti, Jakarta, 2014, 9

3. If the directors do not publish annual reports to the public, the directors can be held accountable.

c. The Directors are guilty and cause the company to go bankrupt

Article 127 Paragraph (4) of government regulation Number 54 of 2017 concerning Regionally-Owned Enterprises (*BUMD*) states that "In the event that bankruptcy occurs due to an error or negligence of the directors and the *BUMD*'s assets are insufficient, to cover losses due to the bankruptcy, each member of the Board of Directors is jointly responsible for the said loss."

Article 127 Paragraph (4) PP Number 54 of 2017 concerning *BUMD* also states that "the responsibility referred to in paragraph (4) also applies to the members of the board of directors who are wrong or negligent who have not served 5 (five) years before the *BUMD* is declared bankrupt.

d. Capital is not feasible

The Board of Directors must be able to manage the capital owned by the *BUMD*, and if the directors force the management and operation of the *BUMD* to be incompatible with the capital owned by the *BUMD*, then the Board of Directors is responsible for these actions.

e. The company operates improperly

Article 65 paragraph (2) of government regulation Number 54 of 2017 concerning Regionally-Owned Enterprises (*BUMD*), that directors will be dismissed from time to time if involved in acts of fraud that result in losses to the *BUMD*, state and/or region.

Article 68 paragraph (3) of government regulation Number 54 of 2017 concerning Regionally-Owned Enterprises (*BUMD*) states that "KPM can submit a lawsuit to the court against the members of the board of directors who due to an error or negligence cause a loss to the regional public company unless the concerned member of the board of directors compensates the caused loss and deposited into the account regional treasury. Whereas the filing of a lawsuit by shareholders at a local company is in accordance with the provisions of the legislation governing limited liability.

3. The burden of responsibility is transferred to the board of commissioners/supervisory board

a. The Board of Commissioners/Supervisors do not carry out their duties properly

Article 50 paragraph (1) of government regulation Number 54 of 2017 concerning Regionally-Owned Enterprises (*BUMD*) states that the members of the supervisory board or members of the commissioners are required in good faith and responsibility to carry out their duties in the interests of the *BUMD* and article 46 paragraph (2) of government regulation Number 54 of 2017 concerning Regionally-Owned Enterprises (*BUMD*) stated that the members of the Supervisory Board or the members of the commissioner may be dismissed at any time if they cannot carry out the tasks and carry out the provisions of the legislation and/or provisions of the articles of association;

b. Incorrect annual calculation documents

Article 50 paragraph (2) of government regulation Number 54 of 2017 concerning Regionally-Owned Enterprises (*BUMD*) states that the loyal members of the supervisory board or the members of the commissioner are personally responsible if the concerned person is guilty or negligent in carrying out their duties, paragraph (2) letter c states that the

members of the supervisory board or Article 46 of government regulation Number 54 of 2017 concerning Regionally-Owned Enterprises (*BUMD*) states that the members of the commissioner are dismissed at any time because they are involved in fraud that caused losses to the *BUMD*, the state and the region

c. Bankruptcy of the company due to the board of commissioners/Supervisors

Article 115 paragraph (1) of the Limited Liability Company Law, in which the members of the board of directors and commissioners are jointly responsible.

Article 50 paragraph (3) of government regulation Number 54 of 2017 concerning Regionally-Owned Enterprises (*BUMD*) states that *KPM* can submit a lawsuit to the court against a member of the Supervisory board who due to his mistake or negligence caused a loss to the regional public company unless the member of the concerned Supervisory Board compensate the loss caused and deposited into the regional general cash account. On the other hand, for filing a lawsuit by shareholders in a regional company in accordance with the provisions of the legislation governing limited liability companies, and Article 46 paragraph (2) letter f states that the members of the supervisory board or the members of the commissioner may be dismissed at any time if they no longer fulfill the requirements as the members of the supervisory board or commissioners in accordance with statutory provisions.

The linkage of corporate legal doctrine with good corporate governance is like a coin, in which corporate legal doctrine is a source of inspiration and a hierarchy of norms that are the spirit of the implementation of good corporate governance and on the other hand, the implementation from the doctrine of the corporate law is the implementation of good corporate governance.

Good corporate governance is the norms, norms or corporate guidelines needed in a healthy company management system. Formally good corporate governance is regulated in article 1 number 9 of Government Regulation Number 54 of 2017 concerning Regional Government Enterprises, namely "a management system that directs and controls the company so as to produce sustainable economic benefits and balanced relations between the stakeholders." The principles of good corporate governance include:

1. Transparency, namely openness in carrying out the decision making process and openness in disclosing relevant information about the company;
2. Accountability, namely clarity of functions, implementation and accountability of organs so that management is carried out effectively;
3. Accountability, namely conformity in company management with the applicable laws and regulations and sound corporate principles;
4. Independence is a condition in which the company is managed professionally without conflict of interest and influence/pressure from any party that is not in accordance with the laws and regulations and healthy corporate principles;
5. Fairness, namely justice and equality in fulfilling the rights of stakeholders that arise based on agreements and laws and regulations.

Some provisions of the application of good corporate governance that apply to *BUMD* organs are the General Meeting of Shareholders/ *KPM*, the Board of Trustees/

Commissioners and Directors which are specifically regulated in the Government Regulation on *BUMD*, including: (1) Protection and responsibility of the Shareholders/ capital owners, for example, in exercising their authority at the *GMS/ KPM* in exercising authority and they must continue to pay attention to the principle of accountability which is not permissible to interfere with the company's operational activities which are the responsibility of the Directors in accordance with the provisions of the articles of association and applicable legislation. (2) The Board of Trustees/Commissioners as *BUMD* supervisors must fulfill the articles of association and applicable laws and regulations and think freely, especially monitoring the implementation of good corporate governance. For the effectiveness of the supervisory function of the Board of Trustees/Commissioners, the Board of Supervisors/Commissioners are prohibited from holding concurrent positions at certain companies. Therefore, the Supervisory Board/Commissioners need the means to obtain information needed by the Supervisory Board/Commissioner by forming an effective committee under the Supervisory Board/ Commissioner. (3) The Board of Directors in carrying out its duties must be in accordance with its Fiduciary duties.

In addition, the implementation of the legal doctrine of Piercing the Corporate Veil in *BUMD* is essentially to instill and affirm to the *BUMD* organs regarding the importance of the principles of good faith and prudential in the management of *BUMD* which is the spirit/essence of Good Corporate Governance.

4. Conclusion

From the description above, the author could convey the conclusions in this article as follows:

1. The person who is behind the *BUMD* is called the *BUMD* organ consisting of firstly, for Regional Public Companies: Regional Heads representing Regional Governments in Regional Property Ownership (*KPM*), Board of Trustees and Directors, and secondly, for Regional Corporation Companies: General Meeting of Shareholders, Board of Commissioners and Directors.
2. The legal doctrine of Piercing the corporate veil in *BUMD* is partially implemented in Law Number 40 of 2007 concerning Limited Corporation and Government Regulation Number 54 of 2017 concerning Regionally-Owned Enterprises, and in the perspective of good corporate governance, the implementation of the legal doctrine is to emphasize about the importance of good faith and prudential of the *BUMD* organs.

For this reason, the author could give the first suggestion that the *BUMD* organs are always committed to implementing good corporate governance by prioritizing good faith and prudence and secondly, the legal doctrine of piercing the corporate veil must be received in a positive and comprehensive manner in the Indonesian legal system, especially the law concerning regionally-owned enterprises so that the stakeholders' interests can be protected.

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