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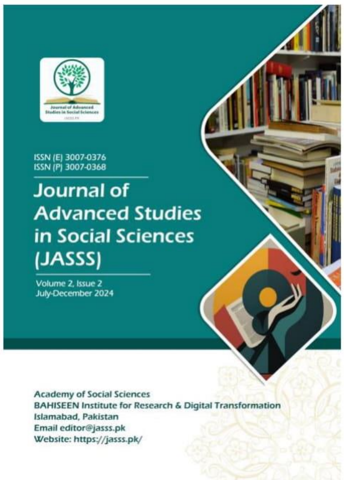

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Legal Position and Responsibility of State-Owned Enterprise Holding Companies to Third Parties for the Actions of Subsidiaries in Justice

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Abstract
This paper examines the legal standing and responsibility of State-Owned Enterprise holding firms to third parties for their subsidiaries' acts under current corporate law. This paper examines corporation law's limited responsibility and breaching the corporate veil to establish substantive justice. This research also investigates how holding corporations and subsidiaries might apply the idea of fairness in their legal relationship, particularly when the holding company's strategic decisions directly affect third parties. This research employs normative legal, descriptive-normative, and juridical-analytical methods. Data are examined by studying primary legal documents like laws and regulations and secondary legal elements like academic literature and law magazines. The descriptive-normative method explains restricted responsibility and penetrating the corporate veil, whereas the juridical-analytical approach assesses holding company legal liability justice. The study found that while limited liability protects holding companies from liability for their subsidiaries' actions, the doctrine of piercing the corporate veil allows the court to penetrate this protection when abuse or unreasonable control occurs. State-owned enterprises' strategic role as the main shareholder presents challenges, so more explicit regulations and good corporate governance are needed to balance legal certainty and substantive justice for third parties. To anticipate the complexity of legal connections between holding corporations, subsidiaries, and third parties, this research suggests building an adaptable legal framework.
Keywords: State-Owned Enterprises, responsibility, corporate veil

1. Introduction

Corporate law governs the formation, administration, and dissolution of businesses in a jurisdiction (Greenfield, 2008). Indonesian corporate law is based on the Commercial Code, which governs corporations, businesses, and other commercial entities, and Law Number 40 of 2007, which governs limited liability companies (Yusman, Rezki, & Yunus, 2021). In limited liability firms, the corporate entity and its shareholders have separate legal obligations. This concept guarantees the firm autonomy as a distinct legal entity that is completely accountable for its legal acts (Waqas & Rehman, 2016). Modern corporate law, including State-Owned Enterprise and holding company management, is based on this premise.

Law Number 19 of 2003 regulates state-owned enterprises as economic entities. State-owned enterprises have a crucial role in economic and public service tasks. Article 1 of the State-Owned Enterprises Law defines a state-owned enterprise as a commercial firm whose shares are completely or substantially controlled by the state by direct involvement from distinct public assets. State-Owned Enterprises are Limited Liability Companies (Persero) or Public Companies. Perum is entirely owned by the state and not split into shares, whereas Persero is a limited liability business. Persero is profit-driven, whereas Perum prioritizes community service and profit (Trihatmoko, 2019).

The state usually creates a State-Owned Enterprise holding company to combine and streamline asset management. A State-Owned Enterprise holding company controls subsidiaries with various but connected business goals. According to Article 2 of Government Regulation Number 72 of 2016 on Amendments to Government Regulation Number 44 of 2005 on Procedures for Participation and Administration of State Capital in State-Owned Enterprises and Limited Liability Companies, establishing a holding company increases efficiency, strengthens financial structures, and boosts competitiveness (Nurhasanah & Afwa, 2021). PT Pertamina (Persero) is a State-Owned Enterprise holding with energy and oil businesses.

However, a State-Owned Enterprise holding company's legal stance towards third parties, particularly its subsidiaries' legal acts, is still contested. A holding company is not directly liable for its subsidiaries' legal activities under corporation law since they are independent legal entities. This is consistent with the corporate veil theory, which shields the parent business from subsidiary liability (Rissy, 2019). However, breaching the corporate veil may overturn this notion if the controlling corporation is intimately engaged in the subsidiary's harmful acts.

State-owned firms' third-party obligations must consider justice outlined by several laws and regulations. Law Number 40 of 2007 states that limited liability company shareholders are solely accountable for their share value under Article 3 paragraph (1). Article 4 paragraph (4) of the Law controls the state's shareholder responsibility and states that state assets in State-Owned Enterprises cannot be seized. State-owned enterprise holding entities may fully oversee their subsidiaries, including strategic decision-making, under Government Regulation Number 72 of 2016. If holding businesses directly cause third-party harm, this may decide liability.

State-Owned Enterprise holding firms' legal obligations to third parties impacted by their subsidiaries are becoming increasingly intricate. State-Owned Enterprise subsidiaries are legally liable for their business decisions and actions. However, the holding company's close relationship with its subsidiaries might blur the line. Particularly when the parent firm controls the subsidiary via majority financial involvement or strategic decision-making. When a subsidiary causes a third party a loss, the aggrieved party usually disputes the holding company's participation, especially if the action was directed by the controlling company.

Limited responsibility often creates problems. The parent corporation is insulated against subsidiary losses by this principle (Peng, Wang, & Jiang, 2008). This principle isn't absolute. The court may breach the corporate veil and overlook the formal distinction between parent and subsidiary if there is proof that the holding company acts beyond its function as a shareholder, such as by offering direct operational guidance or utilizing the subsidiary for an unlawful (Dignam & Lowry, 2022). State-Owned Enterprises' social obligation to serve society and the state as the main stakeholder compounds this.

A disagreement between a third party and a State-Owned Enterprise holding firm's energy unit highlights this issue. A third party sued PT Pertamina (Persero) for negligence-related environmental damage. Plaintiff sought Pertamina, the holding firm, to pay for pollution as it controlled operations. This is because the subsidiary just implements parent business strategic policies and has limited decision-making ability. The court must determine whether the subsidiary or strategic control parent firm is accountable.

A construction subsidiary contractual dispute illustrates the intricacy of the legal relationship between a State-Owned Enterprise parent firm and its subsidiary. A third party sued the subsidiary for contract violation and financial damages. The plaintiff tried to claim the controlling company's efficiency policy caused the breach. The parent firm defended the move as a subsidiary-made operational decision. However, the plaintiff submitted internal papers showing that the controlling corporation ordered the efficiency program to boost State-Owned Enterprise group profits. The strategic impact of a holding company may be used to pierce the corporate veil, as shown in this instance.

International legal issues arise when state-owned firms' subsidiaries operate overseas. Certain foreign subsidiaries of state-owned firms have violated local laws, such as tax evasion or labor rules (Indra, 2014). Local authorities typically sue the Indonesian-based holding company since the parent business controls the abroad subsidiary's policy. This case shows how state-owned holding corporations must navigate cross-jurisdictional legal issues to ensure subsidiary compliance without breaking legal obligation.

This problem indicates that although the law defines holding corporations and subsidiaries' roles, several circumstances affect their implementation. The intricate connection between holding corporations and subsidiaries, particularly in State-Owned Enterprises, necessitates a more flexible and fair legal approach. The court must evaluate both legal and factual evidence of the holding company's effect on third-party harm.

The Regulation of the Minister of State-Owned Enterprises Number PER-01/MBU/2011 concerning the Implementation of Good Corporate Governance in State-Owned Enterprises must be followed when resolving disputes between third parties and holding companies or their subsidiaries. Transparency, accountability, responsibility, independence, and fairness are GCG principles that safeguard third parties' rights while protecting the holding firm or its subsidiaries' integrity. When disagreements arise, the court must decide how much the holding company is involved and whether to pierce the corporate veil.

Looking at the formulation above, this article asks (1) How does limited liability and penetrating the corporate veil affect a State-Owned Enterprise holding company's legal standing on subsidiary acts that hurt third parties? (2) How does a State-Owned Enterprise holding corporation apply justice in its legal obligation to third parties for strategic policies that affect subsidiary actions?

2. Theoretical Framework

Corporate law relies on the notion of distinct legal entity to divide legal obligation between a firm and its shareholders. According to Article 3 paragraph (1) of Law Number 40 of 2007 on Limited Liability Companies, each company including holding companies and subsidiaries has a distinct legal existence. Thus, subsidiaries' legal activities are not the owning company's responsibility. This separation protects shareholders from hazards outside their cash, boosting investment and corporate efficiency. When subsidiaries affect third parties, particularly if the controlling firm is involved in bad decision-making, this premise is widely disputed.

The holding company's legal obligation is restricted by limited liability, which complements independent legal entity. The holding company's liability is limited to the value of its subsidiary shares as the principal shareholder (Waqas & Rehman, 2016). In complicated holding company structures like State-Owned Enterprises (BUMN), this idea is crucial for legal and economic stability. However, this principle is not absolute. The theory of penetrating the corporate veil permits the court to break the holding company-subsidiary legal separation. If the controlling firm exploits its subsidiaries to dodge legal obligations or hurt others, this concept applies. The court may overlook the formal distinction and find the holding company directly responsible if its strategic decisions cause the subsidiary to break a contract or hurt a third party.

Good corporate governance (GCG) principles help holding firms make decisions transparently, accountablely, and responsibly (Mahrani & Soewarno, 2018). The Minister of SOEs Regulation PER-01/MBU/2011 establishes GCG principles to prevent firms from abusing their authority over subsidiaries. GCG implementation may decrease legal infractions and boost third-party confidence. However, GCG implementation is sometimes difficult, particularly when holding firms emphasize commercial interests above fundamental justice. The idea of substantive justice by John Rawls offers an ethical framework for examining the influence of holding firms' strategic choices on third parties. Legal certainty and substantive fairness must be balanced, particularly when subsidiaries hurt other persons, according to Rawls.

Agency theory also applies to holding company-subsidiary relationships. There are typically conflicts of interest in this arrangement, particularly when the controlling firm has extensive strategic influence over its subsidiaries (Panda & Leepsa, 2017). The controlling firm may make choices that contradict with subsidiary or third-party interests. Efficiency initiatives by the owning company may reduce the subsidiary's contractual responsibilities to its commercial partners. Agency theory highlights the requirement for an effective monitoring system to maintain fairness and accountability in the holding company-subsidiary relationship.

Asset separation is also crucial to a holding company's legal structure. This idea requires the holding company and its subsidiaries to divide their assets so each is liable for their own legal activities (Ellul & Yerramilli, 2013). This notion often shields the owning corporation against third-party lawsuits against the subsidiary. Sometimes this barrier is blurred when the controlling company controls the subsidiary's operational choices. Third parties may sue the holding company for culpability under the theory of penetrating the corporate veil.

This idea underlines the need to balance legal protection for holding businesses with fairness for third parties (Alemanno & Spina, 2014). The fact that holding corporations are both businesses and socially responsible makes this notion especially applicable to state-owned firms. When holding corporations' strategic plans directly affect third parties' losses, courts must decide how much blame to apply without breaching limited liability. In such cases, integrating substantive justice and GCG is essential to ensure that the legal system protects business interests and delivers justice for all parties. Research may illuminate the complicated legal connection between holding corporations, subsidiaries, and third parties and give adaptive and equitable legal answers to future difficulties by merging these ideas.

3. Methodology

This extensive normative legal research study examines the legal status of a State-Owned Enterprise holding firm and its accountability to third parties for its subsidiaries' acts. This study examines the application of the principle of limited liability in Article 3 paragraph (1) of Law Number 40 of 2007 on Limited Liability Companies and the doctrine of piercing the corporate veil in the context of a State-Owned Enterprise holding company and its subsidiaries involving third-party losses. Primary legal documents include corporation law rules and regulations, as well as secondary legal materials including scientific publications, legal literature, and comparative studies of legal systems in other nations (Ishaq, 2017).

This study uses a descriptive normative approach to answer the first problem formulation: how does the principle of limited liability and the doctrine of piercing the corporate veil affect the legal position of a State-Owned Enterprise holding company toward its subsidiaries? This approach maps corporate law, including separate legal entities, and analyzes how the doctrine of piercing the corporate veil can be applied when the holding company makes strategic decisions that harm third parties. The strategic role of the state as the holding company's principal shareholder is examined in this study's application to State-Owned Enterprises.

This research uses a juridical-analytical method to address the second issue formulation: how to execute justice in the legal liability of State-Owned Enterprise holding corporations to third parties for strategic initiatives that influence subsidiaries. This method identifies legal and practical barriers to contractual justice and good corporate governance (GCG) in the legal relationship between State-Owned Enterprise holding companies, their subsidiaries, and third parties. This study also examines whether current regulations, including Government Regulation Number 72 of 2016, achieve balanced legal protection for third parties and proportional responsibility for State-Owned Enterprise holding companies in strategic decisions that affect their subsidiaries.

4. Result and discussion

4.1. Legal Position of Holding Company State-Owned Enterprises Against Subsidiary Actions That Harm Third Parties From the Perspective of the Principle of Limited Liability and the Doctrine of Piercing the Corporate Veil

Indonesian holding corporations of State-Owned Enterprises (BUMN) are well-regulated by law. State-owned enterprises' holding corporations operate as parent firms with strategic power to govern, oversee, and manage subsidiaries (Romans, 2021). Article 3 paragraph (1) of Law Number 40 of 2007 concerning Limited Liability Companies states that a limited liability company has assets separate from its shareholders, which governs the position of a holding company in corporate law. State-owned enterprises' holding corporations and subsidiaries are considered independent legal entities with separate legal duties

Holding corporations are controlled under Law Number 19 of 2003 on State-Owned Enterprises, which allows the state to manage state assets via corporate organizations. State assets separated for capital involvement in State-Owned Enterprises cannot be seized without a court decision under Article 4 of the Law (Indrapradja, 2019). To boost efficiency and competitiveness, Government Regulation Number 72 of 2016 amending Government Regulation 44 of 2005 allows the government to create a holding company for State-Owned Enterprises. Article 2 of this Government Regulation allows state capital involvement in a State-Owned Enterprise that manages subsidiaries as a holding company. A State-Owned Enterprise's legal standing as a holding corporation is hierarchical but confined to strategic management. The holding company may set the subsidiary's rules and business direction, but the subsidiary's operations are its responsibility.

The corporate veil theory protects holding firms from liability for their subsidiary' legal acts. If evidence shows that the controlling company is utilizing the subsidiary to pursue an unlawful aim or that control exceeds acceptable limitations, the corporate veil may be pierced to expose this conduct (Macey & Mitts, 2014).

Good corporate governance also governs the holding company of State-Owned Enterprises. The Minister of State-Owned Enterprises' Regulation PER-01/MBU/2011 on Good Corporate Governance in State-Owned Enterprises emphasizes transparency, accountability, independence, responsibility, and fairness in management, including in the holding company structure (Tjahjadi, Soewarno, & Mustikaningtiyas, 2021). These principles guarantee that the holding company performs its duties professionally without breaking legal restrictions, including subsidiary third-party rights. State-Owned Enterprise holding companies have a strategic legal position but are constrained by a defined legal framework. Existing rules and regulations separate legal obligations between the holding firm and its subsidiaries, allowing the state to effectively manage state assets via a holding structure.

Limited liability is the basic legal distinction between a corporation and its shareholders, especially holding companies, under corporate law. This concept, outlined in Article 3 paragraph (1) of Law Number 40 of 2007 on Limited Liability firms, protects holding firms against subsidiary losses. Hansmann and Kraakman argue that this approach separates corporate wealth from shareholder wealth, encouraging capital owners to invest with minimal risk (Sukmana, Asikin, & Djumardin, 2020). This approach is not absolute protection since the notion of breaching the corporate veil permits courts to ignore formal separation in abuse instances.

Piercing the corporate veil was created to prevent limited liability misuse. If the corporation is utilized for illegal purposes or to harm others, Adolf A. Berle and Gardiner C. Means wrote in The Modern Corporation and Private Property that the legal entity of the firm and its stockholders must be separated. Salomon v. Salomon & Co. Ltd. was a landmark in English legal entity separation (Means, 2017). However, courts regularly disregard this concept if there are signs of justice or good faith breaches.

Parent-subsidiary relationships in holding corporations, particularly state-owned firms, cause legal difficulties. State-owned firms have majority shares or strategic control over their subsidiaries as holding corporations. This control may hurt third parties if not adequately controlled, particularly if the controlling company's strategic plans directly affect the subsidiaries' behavior.

Environmental pollution cases involving mining units of state-owned enterprises (SOEs) provide important lessons related to the legal relationship between the parent company and its subsidiaries. One of the cases of concern in Indonesia is environmental pollution by PT Newmont Minahasa Raya, a subsidiary of Newmont Corporation (Sofyan, 2014). This case demonstrates the complexity of the relationship between the parent company and subsidiaries in terms of legal liability. The disposal of hazardous waste from the mining activities of PT Newmont Minahasa Raya is accused of polluting Buyat Bay, North Sulawesi. The local community sued the company for environmental and health damage. This lawsuit not only targets PT Newmont Minahasa Raya but also its parent company, Newmont Corporation. The allegations against the parent company are based on strict oversight of subsidiaries, including in determining operational policies such as waste disposal. The piercing the corporate veil theory was used to test Newmont Corporation's responsibility as a holding company.

The plaintiffs claim that the parent company's strategic decisions led to environmental pollution. If the court determines that the parent company was directly involved in the decision-making process, this theory could potentially preclude a legal separation between the parent company and its subsidiaries. However, the court did not find enough evidence to argue that Newmont Corporation was directly involved in the operational actions that led to the pollution. As a separate legal entity, PT Newmont Minahasa Raya is fully responsible for this case.

This reflects the challenges in proving piercing the corporate veil, especially when the parent company is only involved in strategic decision-making while its implementation is carried out by subsidiaries. For example, in the United States, the case of United States v. Bestfoods (1998) set an important precedent in the theory of piercing the corporate veil in an environmental context (Chapman, 1998). In this case, the US Supreme Court ruled that the parent company can be held liable if it is proven that it directly controlled the environmental operations of its subsidiary that caused the damage. The court considers the extent to which the parent company neglects the formalities of the corporation or is directly involved in the management of activities that are environmentally risky.

In the European Union, a similar approach can be found in the case of Chandler v. Cape plc (Turner, 2015)the UK. The court decides that the parent company is liable for losses suffered by subsidiary workers if it is proven that the parent company had knowledge of the existing risks and did not take adequate measures to avoid them. In addition, EU regulations, such as the proposed Corporate Sustainability Due Diligence Directive, increasingly emphasize the precautionary principle in the supply chain, thereby increasing the responsibility of the parent company for the environmental impacts caused by the activities of its subsidiaries.

Indonesian State-Owned Enterprises frequently have extensive strategic influence over their subsidiaries, making this instance important. If the holding company's strategic strategy harms a third party, penetrating the corporate veil may achieve justice. In the instance of PT Newmont Minahasa Raya, the plaintiff's capacity to establish the controlling company's direct participation in the adverse activity is crucial to applying this concept.

This idea is also used in an energy instance. A third party sued a subsidiary in a failing energy project and tried to bring the holding company into the litigation by claiming that the holding company's efficiency measures caused the subsidiary to fail. The court had to determine how much the controlling company's practices affected the project's failure and if they were enough to apply the theory of breaching the corporate veil.

Although Article 3 paragraph (2) of the Limited accountability Company Law implicitly acknowledges shareholder accountability for legal separation misuse, court rulings in Indonesia seldom apply this approach. Proof is the biggest obstacle to adopting this idea. Third parties typically struggle to prove direct holding company participation in subsidiary operations, particularly as strategic decision-making is generally done inside a collective policy framework that is hard to track.

A lawsuit against PT Lapindo Brantas for damages from the hot mudflow indicates that the holding company structure might prevent third parties from getting justice (June Ekawati, Eny Sulistyowati, Gagoek Hardiman, & Edward E. Pandelaki, 2022). The subsidiary was directly culpable, but the plaintiff tried to include the holding firm since the parent business set the exploration policy. Since there was no concrete proof of the holding firm's participation, the claim against the parent business was dismissed.

To apply the theory of penetrating the corporate veil effectively, courts must evaluate the connection between a holding company and its subsidiaries more systematically. One factor is if the controlling company directly controls the subsidiary's loss-causing operational choices. Courts must also evaluate good faith and fairness between the controlling company, subsidiary, and third party.

Holding businesses have challenges when subsidiaries hurt other parties. The theory of breaching the corporate veil prevents holding corporations from abusing their limited liability protection. In State-Owned Enterprises, this theory needs a more flexible approach to reconcile legal, social, and economic objectives to achieve justice for third parties without compromising the company's legal framework.

4.2. Implementation of the Principle of Justice in Legal Accountability of Holding Companies State-Owned Enterprises Against Third Parties for Strategic Policies Affecting Subsidiary Actions

The notion of fairness underpins all legal systems, including holding company-subsidiary ties. Corporate law defines justice as legal clarity and the preservation of the parties' rights, including third parties damaged by the company's conduct.

Legal scholars like John Rawls have written on justice in A Theory of Justice. Rawls stresses justice as a framework for balancing individual and society interests via two fundamental principles: equal freedom for everyone and equitable distribution of advantages for the least advantaged (Harahap et al., 2023). In the context of holding companies and subsidiaries, this principle requires the court to consider both the company's actions on third parties and the formal aspects of corporate law, such as limited liability and responsibility separation.

The legal connection between holding corporations and subsidiaries is also affected by Hans Kelsen's view of justice as flexible and contextual. According to Kelsen, justice is subjective and largely relies on society's values (Yudhanegara et al., 2024). Fairness in corporate law is balancing rights and duties between the parent company, subsidiaries, and third parties. Fairness requires the court to determine whether the parent corporation should be held accountable for subsidiary losses when it has strategic control over the subsidiary. This is especially crucial for State-Owned Enterprises, whose holding firms must serve both economic profit and public interest.

Piercing the corporate veil is commonly used by courts based on equity. A court may set aside the legal separation between a holding company and a subsidiary to make the substantially responsible party legally accountable if the connection creates an imbalance of rights and duties that harms a third party. Within the environmental contamination litigation against PT Chevron Pacific Indonesia, the local community tried to include Chevron Corporation as the controlling corporation (Rampadio, Fauzia, & Hamdani, 2022). The plaintiffs claimed that the controlling corporation set the environmental damage policy of natural resource exploitation, even though the subsidiary operated. In this case, justice requires the court to determine whether the holding company's strategic actions caused community losses.

In distributive justice, Aristotle believed accountability should be proportionate to the action's contribution and effect. Justice requires the holding corporation to be held accountable for strategic decisions that hurt a third party. Legal obligation remains with the subsidiary if it controls the activity. According to numerous court rulings, notably Indonesia, penetrating the corporate veil only applies if the controlling firm employs the subsidiary to commit a crime or injure another party.

However, Indonesian law lacks precise legal advice on holding company-subsidiary relationships, making equity application difficult. While Article 3 paragraph (2) of the Limited Liability Company Law allows circumventing limited liability, precise criteria on when and how to use it are lacking.

Indonesian corporate law emphasizes fairness between a State-Owned Enterprise parent company, subsidiaries, and third parties. The strategic role of the controlling firm in defining subsidiary policies that frequently affect third parties complicates this relationship. In state-owned enterprises (SOEs), a holding company serves as a commercial entity that maximizes efficiency and profitability and as an extension of the state in delivering development mandates and public services. This dual nature makes fairness crucial, particularly when third parties lose owing to holding company and subsidiary strategic strategies.

According to Article 3 paragraph (1) of Law Number 40 of 2007 on Limited Liability corporations (UUPT), holding corporations are not liable for subsidiaries' activities. Separating legal entities between holding companies and subsidiaries encourages investment bravery and operational efficiency. This notion sometimes contrasts with actual justice, particularly when corporation practices harm other people. This division of liability may be penetrated under the notion of piercing the corporate veil (Endri et al., 2020). This theory permits the court to determine whether the controlling firm utilizes the subsidiary for illegal purposes or to escape responsibility.

Proving the controlling company's actual participation in the subsidiary's harmful policies or activities is a major problem in administering justice. The Bakrie Group, the owning firm of PT Lapindo Brantas, was sued by the local community for hot mudflow environmental damage. The complaint claimed the controlling company's strategic orientation caused the high-risk exploration policy. The court found no clear proof of the Bakrie Group's participation in the subsidiary's operational decision-making, hence the subsidiary is legally responsible (Sitorus, 2018). This case shows how difficult it is to prove legal links between holding corporations and subsidiaries, particularly when strategic policies are hidden in the subsidiary's operations.

Indonesian corporate law faces major challenges in providing clarity regarding the application of the concept of piercing the corporate veil, particularly in the relationship between parent companies and subsidiaries. This vagueness leaves aggrieved third parties vulnerable to legal uncertainty, while parent companies can easily avoid liability for their strategic policies. Article 3, Paragraph 2, of Law No. 40 of 2007 concerning Limited Liability Companies authorizes the court to penetrate the principle of limited liability. However, its application relies heavily on strong evidence indicating an abuse of power by the parent company, a condition that is difficult to meet in many cases.

The legal approach in Indonesia tends to maintain the separation of legal entities between the parent company and subsidiaries without considering the strategic influence of the parent company. This approach differs from certain international jurisdictions. In the United States, the case of United States v. Bestfoods (1998) provides a precedent that a parent company can be held liable if it is proven that control of a subsidiary's environmental operations caused a loss. In the European Union, a similar approach was seen in the case of Chandler v. Cape plc (2012) in the UK, where the court held that the parent company was liable for losses suffered by its subsidiary workers if it was shown to be aware of the risk but did not take adequate steps to avoid it. EU regulations, such as the Corporate Sustainability

Due Diligence Directive, increasingly emphasize the importance of the parent company's role in the supply chain.

In the Indonesian context, the principle of substantive justice proposed by John Rawls in A Theory of Justice becomes very relevant. Rawls stressed the importance of a fair distribution of responsibilities, especially for vulnerable parties. In the case of state-owned holding companies, the strategic control they have over subsidiaries often suggests that parent policies cannot be completely separated from subsidiary actions. For example, the case of PT Newmont Minahasa Raya shows that the parent company's strategic waste policy has a direct impact on the surrounding environment. However, the courts often have difficulty proving the direct involvement of the parent company in the implementation of the policy, so the responsibility falls entirely on the subsidiary.

The inability of the Indonesian legal system to provide a framework that is responsive to these dynamics suggests the need for more adaptive legal reform. Such reforms should include clear criteria for evaluating the extent to which parent companies can be held accountable, including their strategic influence, direct involvement in operational decision-making, and the real impact of their policies on third parties. In addition, better access for the courts to internal documents, such as strategic policy reports and communications between the parent company and subsidiaries, is indispensable to assessing the substantive relationship between the two.

Increased transparency in corporate governance is also an important element. State-owned holding companies should strengthen the principles of good corporate governance, including openness in the strategic decision-making of subsidiaries. This transparency not only protects the rights of third parties but also creates a more equitable and balanced legal relationship between the parent company, subsidiaries, and third parties. Good governance can prevent abuse of the principle of limited liability and increase public confidence in the corporate legal system.

This reform is not only important to ensure substantive justice for third parties but also to create greater legal certainty. A clearer approach to piercing the corporate veil can mitigate the risk of legal uncertainty that often hinders the enforcement of justice. Learning from international jurisdictions such as the United States and the European Union can provide valuable insight on how to integrate substantive justice principles into Indonesia's legal system.

Overall, Indonesian company law needs significant revision to create a legal system that is more equitable, transparent, and responsive to global dynamics. By adopting a more adaptive approach and learning from international practice, Indonesia can create a business ecosystem that not only protects third parties but also fosters responsible economic growth. This will ultimately ensure that substantive justice can be realized without compromising the stability of the law, which is the cornerstone of limited liability.

5. Conclusions & recommendations

This research reveals that State-Owned Enterprises holding corporations' legal status and culpability to third parties for their subsidiaries' acts must be rigorously assessed using substantive justice. This paper is unique in its in-depth investigation of the theory of piercing the corporate veil in the legal connection between controlling corporations and subsidiaries in Indonesia, particularly in respect to strategic decisions that affect third parties. Our analysis reveals that although limited liability protects holding corporations, breaching the corporate veil ensures justice for third parties who are affected. State-owned enterprises' legal ties are complicated by the state's position as the principal shareholder with economic and social mandates.

This study emphasizes the need for corporate law reform that expressly defines the conditions for penetrating the corporate veil between controlling corporations and subsidiaries. To prevent limited liability misuse, state-owned holding firms require stricter openness and accountability standards in strategic decision-making. This study also allows for further investigation on substantive justice concepts in a dynamic and global corporate legal system, including comparison examination with other countries. Over time, these insights may help create a more responsive and equitable legal framework for complicated legal relationships between holding corporations, subsidiaries, and third parties.

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