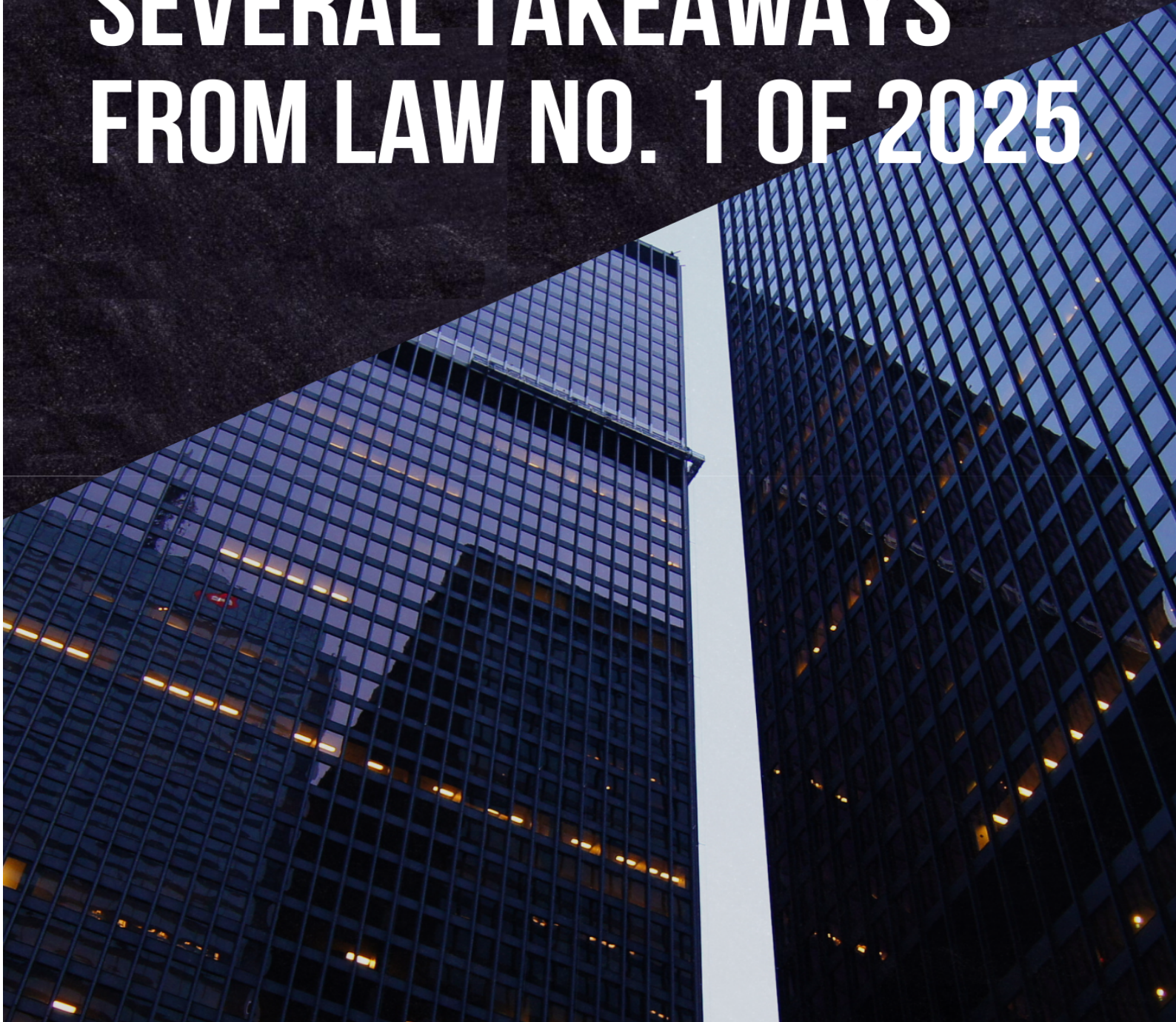




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NEW SOE LAW ENACTED: SEVERAL TAKEAWAYS FROM LAW NO. 1 OF 2025





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Overview & Introduction

The Indonesian government has officially enacted Law No. 1 of 2025 on State-Owned Enterprises (“**Law No. 1 of 2025**”), updating Law No. 19 of 2003. This law marks a major shift in how State-owned Enterprises (“**SOEs**”) are defined, governed, and integrated into Indonesia’s national economic strategy. The reform comes at a time when SOEs are expected not only to serve as commercial entities but also to deliver on constitutional mandates of public welfare, economic equality, and strategic sovereignty.

A notable institutional change is the introduction of Badan Pengelola Investasi Daya Anagata Nusantara (“**BPI Danantara**”), a sovereign wealth fund and state holding entity, formalized based on the Government Regulation No. 10 of 2025 (“**GR No. 10/2025**”). BPI Danantara consolidates state assets and streamlines oversight functions, serving as the super-holding company responsible for strategic investment and coordination among SOEs.

Key Takeaways from Law No. 1 of 2025

1. Expanded Definition of Stated Owned Enterprises

The new law provides more detailed regulation on the state’s role in ownership and control of SOEs. Article 1 paragraph 1 *jo.* 4C of Law No. 1 of 2025 permits the state to exercise control not only through majority shareholding, but also via “special rights shares” (*saham seri A dwiwarna*) which confer veto authority over strategic corporate actions. This enhances flexibility in structuring SOE shareholding without diluting state influence.

Pursuant to Article 4C of Law No. 1 of 2025, the Republic of Indonesia is granted special rights through Series A Dwiwarna shares in Investment Holdings, Operational Holdings, and SOEs. These shares are managed by the Ministry of State-Owned Enterprises and confer special authority to safeguard the State’s strategic interest in corporate governance and decision-making. These rights include, but are not limited to:

- (1) The authority to approve and propose agendas at the General Meeting of Shareholders (GMS), as well as to access company data and documents in accordance with prevailing laws.

- (2) The power to establish and oversee strategic corporate policies, particularly in areas such as finance, investment, procurement, human resources, risk management, compliance, and environmental, social, and governance (ESG) programs.
- (3) The right to appoint and dismiss members of the Board of Directors and Board of Commissioners, subject to the approval of the President.

Further provisions regarding these special rights are to be detailed in subsequent Government Regulations.

2. Business Judgment Rule & Legal Safeguards

One of the most significant reforms introduced under Law No. 1 of 2025 is the explicit reinforcement of the business judgment rule (“**BJR**”) as the guiding paradigm in SOE governance. This shift is reflected in several key provisions, including: (i) the affirmation that SOEs’ assets are separate from state finances, as stipulated in Article 4B Law No. 1 of 2025; (ii) the clarification that members of the board of directors, board of commissioners, supervisory board, SOE employees, as well as the organs and employees of BPI Danantara are not categorized as “state administrators” as provided in Article 3X *jo*. Article 9G Law No. 1 of 2025; and (iii) the restriction of the State Audit Board’s (“**BPK**”) authority in examining SOE financial statements, limiting its role only to specific audits related to the use of state funds as stipulated in Article 71 *jo*. Article 71A Law No. 1 of 2025.

Pursuant to Article 4B Law No. 1 of 2025, profits and losses arising from SOE operations are recognized as belonging to the SOE itself and do not automatically translate into state profits or state losses. In addition, Article 4A paragraph (5) Law No. 1 of 2025 expressly states that capital injections from the State Budget (“**APBN**”) or other non-APBN sources form part of the SOE’s assets, fully owned and managed by the SOE. This affirmation removes ambiguity that previously exposed SOE directors and commissioners to potential liability for “state losses” when, in fact, such losses were purely commercial in nature. By delineating SOE assets from state finances, the law provides SOEs with operational independence while also granting certainty to their organs in carrying out strategic business decisions.

In strengthening this framework, Law No. 1 of 2025 also codifies the BJR as the governing standard for SOE management. Under Article 3Y Law No. 1 of 2025, the Minister of SOEs as well as the organs and employees of BPI Danantara are not personally liable for SOE losses if they can demonstrate that:

- (1) The losses were not caused by their fault or negligence;
- (2) Their actions were carried out in good faith and with prudence, consistent with the investment objectives and governance framework;
- (3) They had no direct or indirect conflict of interest in the relevant management actions; and
- (4) They derived no unlawful personal benefit from the decision.

A parallel standard applies to the board of directors under Article 9F paragraph (1) Law No. 1 of 2025, which provides that directors are exempt from liability for business losses where they acted in good faith, prudently, without conflicts of

interest, and took reasonable steps to prevent or mitigate the losses. Similarly, Article 9F paragraph (2) Law No. 1 of 2025 sets out that the board of commissioners or supervisory board shall not be personally liable provided that they have performed their supervisory functions with good faith and prudence, maintained independence from management actions, and given advice to prevent or reduce the impact of losses. These provisions collectively affirm that as long as SOE organs act within the boundaries of sound governance, their decisions will be protected under the BJR.

Further, the Revised SOE Law restructures the oversight mechanism of SOE financial accountability. Under Articles 71 and 72 Law No. 1 of 2025, the audit of SOE annual financial statements is conducted by independent public accountants registered with the BPK, thereby harmonizing SOE financial governance with private-sector corporate practices. BPK's authority is limited to conducting special audits only in cases involving the use of state funds, such as capital participation, upon request by the House of Representatives ("**DPR**"). This limitation ensures that the scope of financial supervision does not unduly extend into commercial activities that fall under the ordinary business risks of SOEs. In essence, Law No. 1 of 2025 confirms that directors, commissioners, supervisory boards, and BPI Danantara officials are entitled to rely on the business judgment rule when executing their duties. By safeguarding decisions made in good faith, based on adequate information, prudence, and without personal interest, the law seeks to encourage SOE organs to act decisively in pursuing commercial and strategic objectives, thereby reinforcing both accountability and performance in Indonesia's state-owned sector.

3. Establishment of BPI Danantara and the New SOE Governance Architecture

The enactment of Law No. 1 of 2025, introduces a fundamental restructuring of Indonesia's SOE governance landscape through the establishment of BPI Danantara. Under the new regime, BPI Danantara serves as a state investment management body, mandated to consolidate and optimize SOE investments and operations, while exercising delegated authority directly from the President of the Republic of Indonesia. Pursuant to Article 3X *jo.* Article 3Y *jo.* Article 3AB of the Law No. 1 of 2025, BPI Danantara assumes the role of the government shareholder for Series B shares in both the Investment Holding and Operational Holding companies, whereas the State retains a single Series A dwiwarna share with special rights to safeguard sovereign control.

BPI Danantara is entrusted with broad powers in managing state capital participation. Under Article 3F of the Law No. 1 of 2025, its authorities include: (i) managing dividends received from the Investment Holding, Operational Holding, and other SOEs; (ii) approving additional capital injections or reductions in state participation sourced from dividend management; and (iii) entering into financial transactions such as loans, guarantees, or pledges of assets, subject to presidential approval. Beyond these independent powers, Article 3F Law No. 1 of 2025 further prescribes shared authority between BPI Danantara and the Minister of SOEs, covering: (i) the establishment of both the Investment Holding and Operational Holding entities; (ii) endorsement of their annual work plans and budgets; and (iii) approval of asset write-offs and receivable cancellations proposed by SOEs. With this

dual structure, BPI Danantara acts as the central investment manager, while the Minister of SOEs remains focused on policy and regulatory oversight.

To ensure its institutional sustainability, Article 3G of the SOE Law stipulates that BPI Danantara must be capitalized with at least IDR 1,000 trillion, sourced from state capital injections (*penyertaan modal negara*) in the form of cash, state-owned assets, and/or state-owned shares in SOEs, supplemented by other lawful sources. The statute also provides that BPI Danantara, being established by law, may only be dissolved through legislation, thereby guaranteeing continuity of its mandate. In practice, the Government has begun consolidating SOEs under BPI Danantara's portfolio, initially transferring seven major enterprises such as; PT Bank Mandiri, PT Bank Rakyat Indonesia, PT Bank Negara Indonesia, PT PLN, PT Pertamina, PT Telkom Indonesia, and PT Mineral Industri Indonesia (MIND ID). With control over companies collectively managing more than USD 600 billion in assets, BPI Danantara is positioned among the world's largest state investment managers.

4. Conclusions and Takeaways

The enactment of Law No. 1 of 2025 on State-Owned Enterprises introduces a transformative framework for the governance and management of Indonesia's SOEs. By strengthening the State's special rights through Series A Dwiwarna shares, affirming the business judgment rule as the prevailing safeguard for SOE decision-making, and establishing BPI Danantara as the central state investment manager, the reform reflects a deliberate effort to balance sovereign oversight with professional corporate governance. These reforms collectively aim to enhance SOEs' capacity to serve dual mandates: advancing commercial competitiveness while simultaneously fulfilling constitutional objectives of public welfare and national economic sovereignty.

From a practical perspective, three key takeaways emerge from the Revised SOE Law:

- (1) **Enhanced Sovereign Control** – Through Article 4C, the State retains decisive influence over strategic SOE decisions via Series A Dwiwarna shares, ensuring that critical policies and appointments remain under sovereign oversight without undermining corporate flexibility.
- (2) **Legal Certainty through Business Judgment Rule** – Provisions under Articles 3Y, 9F, and related clauses explicitly shield directors, commissioners, supervisory boards, and BPI Danantara officials from personal liability for bona fide business losses, provided they act prudently, in good faith, and without conflicts of interest. This safeguard encourages bold yet responsible decision-making while aligning SOE governance with international best practices.
- (3) **Institutional Consolidation via BPI Danantara** – BPI Danantara as a super-holding entity with unprecedented authority over state capital and investments. With capitalization exceeding IDR 1,000 trillion and control over strategic SOEs, BPI Danantara is designed to professionalize state asset management and optimize long-term national economic strategy.

In conclusion, Law No. 1 of 2025 signals a decisive shift towards modernizing Indonesia's SOE governance model. By combining sovereign safeguards with corporate accountability, the law seeks to empower SOEs as both commercial champions and instruments of national policy, while reducing legal uncertainty for their governing organs. However, its ultimate effectiveness will depend on the Government's ability to issue consistent implementing regulations and ensure that oversight mechanisms remain proportionate, transparent, and conducive to Indonesia's broader economic objectives.

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