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Analysis of the Abuse of Extraordinary General Shareholders' Meetings in the Removal of Directors (A Study of Judgment No. 2/PDT.G/2019/PN.PRN)

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Abstract

A limited liability company operates through corporate organs whose respective authorities are regulated by statutory provisions to ensure lawful and accountable corporate governance. The General Meeting of Shareholders (GMS) possesses authority to appoint and dismiss directors, but such authority must be exercised in accordance with mandatory procedural requirements. This study examines the legal validity of the Extraordinary General Meeting of Shareholders (EGMS) used to dismiss the President Director of PT Rahmah Mandiri Mulia, as considered in Paringin District Court Decision Number 2/Pdt.G/2019/PN Prn. The study aims to analyze the legal standing of the EGMS, identify the legal consequences of its invalidity, and examine whether the exercise of shareholder authority constituted an abuse of authority and violated principles of fiduciary responsibility and good corporate governance. This study employs normative legal research using statutory, conceptual, case, and comparative approaches, with legal materials analyzed qualitatively and descriptively. The findings demonstrate that the disputed EGMS was legally invalid because the meeting failed to satisfy essential procedural requirements concerning formal notice, quorum, voting, and the director's opportunity to present a defense. The invalid resolution also affected subsequent changes in the company's management structure and provided grounds for restoring the director's legal position. The case demonstrates that shareholder authority is not absolute and must be exercised within statutory limits, good faith, procedural fairness, and corporate accountability.

Keywords: *Abuse of Authority, Dismissal of Directors, Extraordinary General Meeting of Shareholders, Fiduciary Duty, Limited Liability Company.*

INTRODUCTION

A Limited Liability Company (Perseroan Terbatas) is a legal entity recognized under Law Number 40 of 2007 concerning Limited Liability Companies, possessing an independent legal status and the capacity to perform legal acts through its corporate organs (Hidayat, 2020). This position makes the separation of functions among the General Meeting of Shareholders (GMS), the Board of Directors, and the Board of Commissioners a fundamental element of legal certainty, oversight, and the balance of power in corporate management (Fuady, 2017). In the development of corporate governance, this issue is no longer confined to the formal allocation of authority, but also concerns how shareholder power is exercised without disregarding the protection of directors and the interests of the company. Recent corporate law scholarship increasingly treats the removal of directors as a point of intersection between shareholder authority, procedural fairness, and the accountability of corporate organs. Comparative legal scholarship demonstrates that the removal of directors may generate divergent interpretations of the requirements, procedures, and legal consequences of shareholder decisions, particularly where statutory provisions leave room for competing interpretations (Cassim, 2022). In Indonesia, Articles 75 and 79 of the Company Law place the GMS at the center of corporate decision-making and require its implementation through lawful mechanisms, including when the agenda concerns the removal of directors (Undang-Undang Republik Indonesia Nomor 40 Tahun 2007 tentang Perseroan Terbatas). The issue becomes more complex when an Extraordinary General Meeting of Shareholders (EGMS) is used to alter the composition of corporate management, but its implementation disregards the limits of authority and procedures established by law.

Previous studies indicate that the validity of an EGMS cannot be assessed solely on the basis of the existence of a shareholder resolution, because the legitimacy of the meeting, the legal standing of the participating parties, and compliance with procedural requirements are interconnected elements in determining the validity of corporate decisions (Satrisna, 2023). Research on the removal of directors without an EGMS also demonstrates that changes in a director's position cannot be separated from the decision-making mechanisms prescribed by the Company Law (Hajar et al., 2024). At the same time, studies concerning the legal certainty of unilateral removal of directors emphasize that shareholder authority cannot be understood as unlimited discretion, since its exercise remains subject to the applicable legal requirements (Lina et al., 2024). The central issue is therefore not merely whether shareholders possess the authority to remove directors, but whether that authority is exercised through lawful procedures, justifiable reasons, and mechanisms that protect the affected party. From a corporate governance perspective, the separation of management and supervisory functions is necessary to prevent strategic decisions from becoming instruments of domination by one corporate organ (Li, 2021). This principle is consistent with the view that management and supervisory functions must be performed responsibly, with due regard for the company's interests and without using corporate authority for improper purposes (Yusro et al., 2020). Scholarship on the ultra vires doctrine further provides a conceptual basis for examining corporate acts against the limits of authority conferred by law and the Articles of Association, rather than merely against the wishes of those who make the decisions (Husein, 2020).

Nevertheless, the existing literature reveals a conceptual and empirical gap in explaining the relationship between the abuse of an EGMS, procedural defects in the removal of directors, and the legal consequences arising after the decision has been incorporated into a notarial deed and used as the basis for changes to the company's administrative records. Some studies emphasize the validity of the GMS or the removal of directors separately, leaving insufficient explanation of how these actions should be assessed as a single sequence of legal events. Research on the expiration of a director's term of office, for example, examines the legal implications of the absence of a GMS resolution, but does not specifically address situations in which a removal decision is made through a forum allegedly affected by procedural defects (Manik, 2023). Studies on the validity of the legal standing of parties convening an EGMS likewise demonstrate the importance of shareholder legitimacy, but do not directly resolve how directors should be protected when the meeting has already been held and the removal decision has been incorporated into a deed (Amrulloh, 2025). In practice, this uncertainty may produce different assessments of the validity of internal corporate decisions, the legal force of notarial deeds, and the validity of subsequent administrative changes based on those decisions. The problem therefore requires an approach that not only reads the Company Law normatively, but also examines the relationship between legal norms, procedural implementation, and their application in judicial decisions. Normative legal research is relevant to this inquiry because it permits the examination of these relationships through statutory, conceptual, and case approaches (Marzuki, 2007). Such a framework enables the identification of whether procedural defects in the removal of directors affect the validity of the EGMS resolution, the notarial deed, and subsequent legal acts based on that resolution.

The urgency of this research becomes more apparent when the removal of directors affects not only the composition of corporate management, but also the civil rights, legal position, and economic interests of the person removed. From the perspective of fiduciary duty, directors and commissioners are required to perform their management and supervisory functions in good faith, with due care, and in the interests of the company, meaning that the exercise of authority to convene or facilitate an EGMS must be legally accountable (McNulty et al., 2020). This obligation does not eliminate the GMS's authority to remove directors, but requires that such authority be exercised through lawful procedures and not used for purposes inconsistent with the principles of corporate governance. In the context of legal protection, a director facing removal is entitled to an opportunity to present a defense at the GMS, as provided by the Company Law, making the disregard of that right a potentially decisive issue in assessing the validity of the removal decision (BP Lawyers, 2025). The issue is also connected to the business judgment rule, which distinguishes between business decisions made lawfully and responsibly and acts performed beyond authority or through unlawful procedures (Keay et al., 2020). If a removal decision is made through a procedurally defective EGMS, the legal issue does not end with the validity of the internal corporate decision, but may extend to the accountability of the parties involved in convening the meeting, preparing the deed, and effecting administrative changes to the company. Within the framework of the rule of law, legal certainty requires that every act of a corporate organ be assessed against the applicable legal norms, including when the act is performed by a party holding a formal position and authority within the company (Astawa, 2019). Examining the relationship between authority, procedure, and legal consequences is therefore essential to ensure that the protection of directors is not merely declaratory, but can also be applied consistently in the resolution of corporate disputes.

This research is positioned within the field of corporate law and normative justice, using Judgment Number 2/Pdt.G/2019/PN Prn as the principal object of analysis to examine the abuse of an EGMS in the removal of the President Director of PT Rahmah Mandiri Mulia. The selection of this judgment is based on the alleged convening of an EGMS without formal notice and without providing the President Director an opportunity to present a defense, raising questions concerning the validity of the removal decision and subsequent legal acts based on it (Pengadilan Negeri Paringin, 2019). The judgment is not treated as conclusive proof of every allegation made by the parties, but as a legal source for examining the court's reasoning against the norms governing GMS authority, directors' rights, and the consequences of procedural defects. This approach is important because research on the annulment of GMS deeds on procedural grounds indicates that the protection of directors and commissioners requires a more systematic explanation of the relationship between meeting validity, notarial deeds, and the accountability of corporate organs (Dailapasa et al., 2026). Research on the validity of EGMS resolutions for the removal of directors also demonstrates that procedural issues may become decisive grounds for litigation, while further analysis is needed to explain how the relevant removal provisions operate in a concrete dispute (Ridwan, 2025). Accordingly, this research combines statutory, conceptual, and case approaches to assess the consistency between the Company Law, the principles of fiduciary duty and corporate governance, and the judicial reasoning in the judgment under examination (Soekanto, 2010). This analytical framework is intended to clarify the boundary between the lawful exercise of EGMS authority and the abuse of authority that may render corporate decisions legally defective.

This research aims to analyze the validity of the removal of the President Director of PT Rahmah Mandiri Mulia through an EGMS and to identify the legal consequences for the parties involved in convening the meeting, preparing the deed, and effecting administrative changes to the company based on Judgment Number 2/Pdt.G/2019/PN Prn. Theoretically, it is expected to contribute to corporate law scholarship by clarifying the relationship between GMS authority, directors' protection, fiduciary duty, and corporate governance principles in assessing the abuse of an EGMS. Methodologically, the research employs normative legal research to examine the consistency between legal norms, relevant concepts, and judicial reasoning in the judgment under study (Irwansyah, 2020). Practically, it is expected to provide an argumentative basis for assessing the validity of EGMS resolutions, notarial deeds, and subsequent legal acts based on those resolutions, including the possibility of compensation claims under Article 1365 of the Indonesian Civil Code. It is also expected to enrich the understanding of legal protection for directors removed through corporate mechanisms allegedly affected by procedural defects. The study is therefore intended not merely as an examination of a single dispute concerning the removal of a director, but as an effort to explain how corporate law should constrain the exercise of corporate authority so that it remains consistent with legal certainty, procedural justice, and the accountability of corporate organs.

RESEARCH METHODS

This study adopts a non-empirical, normative legal research design, rather than an empirical approach, because its objective is to examine the legal validity of the removal of a director through an EGMS and the consequences of alleged procedural defects by interpreting legal norms, principles, and judicial reasoning, without collecting data from respondents or conducting field observations. Normative legal research is understood as a process of identifying legal rules, principles, and doctrines to resolve a particular legal issue, making it appropriate for an inquiry into the relationship between shareholder authority, directors' rights, and the validity of corporate decisions (Marzuki, 2007). The research employs a statutory approach to examine Law Number 40 of 2007 concerning Limited Liability Companies, the Indonesian Civil Code, and other relevant regulations governing GMS procedures, directors' removal, and corporate administration. A conceptual approach is used to examine the principles of fiduciary duty, corporate governance, procedural fairness, and the limits of corporate authority as analytical standards for assessing the disputed conduct (Irwansyah, 2020). A case approach is applied to Judgment Number 2/Pdt.G/2019/PN Prn of the Paringin District Court, which serves as the principal legal source for examining the alleged abuse of an EGMS in the removal of the President Director of PT Rahmah Mandiri Mulia. A comparative approach is also incorporated to examine relevant legal scholarship on directors' removal and shareholder authority in other jurisdictions, particularly where comparative analysis may clarify the relationship between shareholder power and procedural protection (Cassim, 2022). The legal materials comprise primary sources, including the Company Law, the Indonesian Civil Code, the relevant ministerial regulation, and the judgment under study, together with secondary sources such as books, scholarly journal articles, and legal commentaries, while tertiary materials are used only to clarify legal terminology.

The analysis is conducted through qualitative normative legal analysis, in which the collected legal materials are systematically examined to identify the applicable rules, interpret their relationship, and assess their relevance to the legal issues presented in the judgment. The interpretative framework combines statutory interpretation, conceptual analysis, and case-based reasoning to determine whether the EGMS was convened and conducted in accordance with the Company Law and the company's Articles of Association. Particular attention is given to the legal requirements governing the convening of an EGMS, the authority of shareholders and other corporate organs, the right of the director concerned to present a defense, and the legal consequences of procedural non-compliance. The analysis further examines whether the alleged conduct may constitute an abuse of corporate authority and whether the resulting decision, notarial deed, and administrative changes can be sustained under the applicable legal framework. The principle of fiduciary duty is used to assess whether the conduct of the directors and commissioners involved reflects good faith, due care, and accountability in the exercise of corporate powers (Yusro et al., 2020). The principle of procedural fairness is applied to evaluate whether the removal process adequately protected the legal position of the director concerned, while the doctrine of ultra vires provides an additional basis for examining whether the disputed acts remained within the limits of authority conferred by law and the Articles of Association (Husein, 2020).

RESULTS AND DISCUSSION

Legal Standing of the EGMS in the Removal of Directors Conducted Without Formal Notice and the Right to Defend

The General Meeting of Shareholders (GMS) constitutes the highest corporate organ in determining fundamental matters concerning the management and continuity of a limited liability company. Article 1 paragraph (4) of Law No. 40 of 2007 concerning Limited Liability Companies (Company Law) defines the GMS as a corporate organ possessing authority that is not granted to the Board of Directors or the Board of Commissioners within the limits prescribed by law and the Articles of Association. The authority of the GMS to determine the composition of the Board of Directors includes the appointment, replacement, and removal of directors, subject to statutory requirements governing the exercise of such authority. This authority, however, cannot be interpreted as an unrestricted power that permits shareholders to remove a director without observing mandatory procedural safeguards. In Judgment No. 2/Pdt.G/2019/PN Prn, the dispute arose from an Extraordinary General Meeting of Shareholders (EGMS) that resulted in changes to the composition of the Board of Directors and Board of Commissioners, including the removal of the President Director. The court's consideration demonstrates that the validity of a GMS resolution depends not merely on the substantive authority of shareholders but also on compliance with the statutory procedures governing the meeting. Pengadilan Negeri Paringin

Article 105 paragraph (1) of the Company Law establishes that members of the Board of Directors may be removed by a resolution of the GMS, while paragraph (2) requires that the decision to remove a director be accompanied by reasons and provides the concerned director with an opportunity to defend himself or herself. The provision establishes a substantive and procedural relationship between the shareholders' authority and the director's legal protection. The shareholders may exercise their corporate decision-making authority, but the exercise of that authority must remain within the boundaries established by mandatory company law. The requirement to state reasons prevents removal from being treated as an arbitrary expression of shareholder preference and provides a legal basis for assessing whether the decision has a legitimate corporate justification. The opportunity to present a defense further confirms that the director concerned is not merely an object of the shareholders' decision but a party whose corporate position is protected by procedural guarantees. Lina et al. (2024) emphasize that corporate decision-making concerning directors must accommodate procedural fairness because the legitimacy of a corporate resolution is closely related to compliance with the legal safeguards attached to the decision-making process. The legal standing of the EGMS in removing a director must consequently be assessed through both the authority to remove and the manner in which that authority is exercised.

The validity of an EGMS resolution must be assessed through the statutory requirements governing the authority to convene the meeting, the delivery of notice, the exercise of voting rights, the fulfillment of quorum, and the removal of directors. These requirements are principally regulated under Law No. 40 of 2007 concerning Limited Liability Companies (UUPT), which establishes a procedural framework for ensuring that shareholder decisions are adopted through a lawful corporate mechanism. Formal notice is particularly important because it enables shareholders to exercise their participation rights and allows the director concerned to prepare for an agenda involving his or her removal. The quorum and voting requirements likewise ensure that a corporate resolution reflects a decision reached through legally recognized shareholder participation. In addition, Article 105 of the UUPT establishes specific safeguards for the removal of directors, including the requirement to provide reasons for removal and an opportunity for the concerned director to present a defense. The relevant provisions of the UUPT can be summarized as follows.

Table 1. Statutory Framework for Assessing the Validity of the EGMS

Legal Provision	Principal Norm	Relevance to the Dispute
Article 79 paragraphs (2) and (6) of Law No. 40 of 2007 concerning Limited Liability Companies	Regulates the authority and circumstances for requesting or convening a GMS	Determines whether the EGMS was convened by a legally authorized party.
Article 82 paragraphs (1) and (2) of Law No. 40 of 2007 concerning Limited Liability Companies	Regulates the requirements concerning the invitation and information provided to shareholders before the GMS	Determines whether shareholders received proper and lawful notice of the EGMS.
Article 105 paragraphs (1) and (2) of Law No. 40 of 2007 concerning Limited Liability Companies	Provides the authority of the GMS to dismiss directors and requires reasons for dismissal and an opportunity for the concerned director to present a defense	Determines whether the dismissal complied with substantive and procedural safeguards.
Article 85 paragraph (1) of Law No. 40 of 2007 concerning Limited Liability Companies	Regulates shareholders' voting rights in the GMS	Determines whether the resolution was adopted through a legally valid voting process.
Article 86 paragraph (1) of Law No. 40 of 2007 concerning Limited Liability Companies	Regulates the quorum required for the GMS to adopt a valid resolution	Determines whether the EGMS satisfied the statutory attendance requirement.

The provisions presented in Table 1 demonstrate that the validity of an EGMS resolution is determined through a combination of substantive authority and procedural compliance. Article 79 establishes the legal framework concerning the convening of the GMS, while Article 82 regulates the requirements relating to the invitation and information provided to shareholders. Article 85 concerns the exercise of voting rights, and Article 86 establishes the quorum required for the GMS to adopt a valid resolution. Article 105 provides a specific safeguard in relation to the removal of directors by requiring reasons for dismissal and an opportunity for the concerned director to present a defense. These provisions operate as an interconnected statutory framework because the authority to remove a director cannot be exercised independently from the procedures governing the formation of the GMS resolution. Prasetya (2011) explains that the authority of corporate organs must be exercised within the legal structure established by company law and the Articles of Association. A failure to satisfy these mandatory requirements may consequently affect the legal validity of the EGMS resolution and the subsequent corporate acts based upon it.

The right of the director to defend himself or herself represents another essential element in assessing the legality of the removal decision. Article 105 paragraph (2) of the Company Law gives the director concerned an opportunity to provide an explanation or defense before the GMS adopts the removal decision. This procedural guarantee reflects the principle that corporate power must be exercised fairly even when the decision falls within the authority of the shareholders. The opportunity to defend should be meaningful rather than merely formal, which requires the director to receive sufficient information concerning the reasons for the proposed removal and an adequate opportunity to respond. Comparative corporate law literature similarly recognizes that the removal of directors involves a balance between shareholder control and protection against arbitrary exercise of corporate power. Cassim (2022) emphasizes the importance of procedural safeguards in director removal because shareholder authority must operate within legal mechanisms designed to prevent abuse and protect legitimate corporate interests. A removal decision adopted without providing the concerned director with the legally required opportunity to defend may consequently undermine the legitimacy of the EGMS resolution.

The legal defects associated with the disputed EGMS must be evaluated cumulatively because procedural requirements governing corporate meetings operate as parts of an integrated statutory framework. The absence of proper notice, failure to provide the director with an opportunity to defend, uncertainty concerning representation or voting authority, and defects in quorum may each affect the legitimacy of the resolution depending on their nature and legal consequences. The court's findings in Judgment No. 2/Pdt.G/2019/PN Prn are significant because the dispute was not merely concerned with the shareholders' substantive intention to change the company's management but with whether that intention was expressed through a legally valid corporate mechanism. Pengadilan Negeri Paringin The invalidity of an EGMS resolution in such circumstances demonstrates that shareholder sovereignty within a company remains subject to statutory limitations and procedural requirements. The legal standing of the EGMS in removing directors is consequently conditional upon the fulfillment of the authority, notice, quorum, voting, and defense requirements established by company law. This framework also provides the basis for examining whether the exercise of shareholder authority in the disputed case exceeded legitimate corporate power and developed into an abuse of authority.

Abuse of Authority and Breach of Fiduciary Duty in the Removal of Directors

The authority of shareholders to remove directors through an EGMS constitutes a corporate power that must be exercised within the boundaries of statutory provisions, the Articles of Association, and the principles of good faith. Although shareholders possess voting rights as an essential mechanism of corporate governance, such rights cannot be separated from the legal purpose for which they are granted. Article 105 of Law No. 40 of 2007 concerning Limited Liability Companies (Company Law) recognizes the authority of the GMS to remove members of the Board of Directors, while simultaneously requiring reasons for removal and an opportunity for the concerned director to present a defense. The statutory arrangement indicates that the removal power is not an absolute shareholder prerogative because its exercise is subject to procedural and substantive limitations. Husein (2020) explains that the authority of corporate organs must be exercised according to the functions and limits established by company law so that corporate power does not develop into arbitrary conduct. In the dispute examined in Judgment No. 2/Pdt.G/2019/PN Prn, the alleged procedural deficiencies surrounding the EGMS provide a basis for examining whether shareholder authority was exercised consistently with its legitimate corporate purpose.

Abuse of authority may arise when a corporate power formally possessed by shareholders is exercised for purposes that deviate from the interests and legal framework of the company. The distinction between lawful exercise of voting rights and abuse of voting rights lies not only in the existence of formal authority but also in the manner, purpose, and consequences of its exercise. Satrisna (2023) emphasizes that corporate governance requires organs of the company to exercise their respective powers in accordance with principles of good faith and accountability. A shareholder resolution cannot automatically be regarded as legitimate merely because it has obtained a numerical majority if the voting process itself is affected by procedural irregularities or improper representation. The use of voting rights through disputed proxies, participation of persons whose authority is questionable, or manipulation of attendance and quorum may undermine the legitimacy of the collective decision. The following table identifies the principal indicators relevant to distinguishing legitimate shareholder authority from potential abuse in the removal of directors.

Table 2. Indicators of Abuse of Authority in the Removal of Directors through an EGMS

Legal Aspect	Legitimate Exercise of Authority	Potential Abuse of Authority
Purpose of Removal	Based on legitimate corporate considerations and statutory grounds	Directed toward an improper personal or factional interest
Notice of EGMS	Delivered in accordance with statutory and Articles of Association requirements	Meeting conducted without adequate or lawful notice
Director's Defense	Director is given a meaningful opportunity to provide an explanation	Director is removed without a proper opportunity to defend
Shareholder Representation	Proxy is valid and authorized	Proxy authority is disputed, defective, or improperly used
Voting Process	Voting is conducted according to statutory requirements	Voting is affected by irregular participation or manipulation
Quorum	Statutory quorum is lawfully satisfied	Quorum is constructed through invalid attendance or representation
Corporate Consequences	Resolution serves legitimate corporate governance objectives	Resolution is used to unlawfully alter corporate control or management

The indicators in Table 2 demonstrate that abuse of authority is closely connected with the relationship between formal corporate competence and the manner in which that competence is exercised. A shareholder may possess a lawful right to vote, yet the exercise of that right may still be legally problematic when the voting mechanism is used to circumvent mandatory procedural protections. The principle is particularly relevant where a director who is also a shareholder is removed through an EGMS in which his or her participation, representation, or opportunity to defend is disputed. Asyhadie (2014) describes corporate authority as being subject to legal limitations because the company is an independent legal entity whose governance must be conducted through legally recognized organs and procedures. The legal personality of the company requires shareholders to distinguish between their individual interests and the interests of the company as a separate juridical entity. A resolution designed primarily to secure control for particular shareholders, while disregarding mandatory procedural requirements, may consequently raise questions concerning abuse of corporate rights. The assessment of abuse must remain grounded in the applicable statutory provisions and the factual circumstances established in the court judgment rather than in assumptions concerning the subjective motives of the parties.

The fiduciary duties of the Board of Directors provide a separate but interconnected dimension in evaluating the consequences of an improperly conducted removal. Under the Company Law, directors are responsible for managing the company in its interests and in accordance with the purposes and objectives of the company, while their authority is accompanied by duties of care, loyalty, and responsibility. Li (2021) notes that fiduciary obligations in corporate governance are designed to prevent managers from using their positions for purposes inconsistent with the interests of the corporation. The removal of a director through an invalid EGMS cannot be treated merely as an internal change of office when the process affects the lawful distribution of corporate authority. The Board of Commissioners also performs supervisory functions that must be distinguished from the management authority vested in the Board of Directors. Any involvement of commissioners in facilitating or endorsing an improperly conducted management change must be assessed according to their statutory responsibilities and the limits of their supervisory powers.

The role of the notary is also legally significant because the notarial deed recording the EGMS resolution provides documentary evidence of the corporate decision-making process. Hidayat (2020) explains that a notary in corporate matters performs a public function in documenting legally relevant acts and events in authentic instruments, subject to the requirements governing notarial practice. The notary's function, however, does not transform an irregular corporate resolution into a valid legal act merely because the resolution has been recorded in an authentic deed. The formal authenticity of a deed must be distinguished from the substantive validity of the corporate resolution underlying that deed. Where the underlying EGMS fails to satisfy mandatory requirements, the legal validity of the resulting deed may become subject to judicial examination based on the relationship between the corporate resolution and the instrument recording it. This distinction is important in the present case because the court's assessment of the EGMS concerns the legality of the corporate decision-making process rather than merely the formal existence of the notarial deed. The responsibility of the notary must consequently be examined within the scope of the notary's statutory duties and without automatically attributing substantive responsibility for every defect originating from the shareholders.

The principles of good faith and corporate accountability establish the normative boundary between legitimate shareholder control and abusive exercise of corporate power. Shareholder democracy in a company is not equivalent to unrestricted majority rule because the Company Law imposes procedural and substantive safeguards intended to protect the company, shareholders, directors, and other legally affected parties. Astawa (2019) places corporate legal authority within the broader principle of the rule of law, under which every exercise of legal power must have a valid basis and remain subject to legal limitations. The circumstances surrounding Judgment No. 2/Pdt.G/2019/PN Prn indicate that the disputed removal cannot be assessed exclusively from the perspective of whether the shareholders possessed authority to change the company's management. The decisive legal issue also concerns whether that authority was exercised through a lawful procedure and for a legitimate corporate purpose, particularly where the validity of notice, representation, quorum, voting, and the director's opportunity to defend were challenged. When these elements are disregarded, the exercise of shareholder power may lose its character as ordinary corporate governance and instead become subject to judicial scrutiny as a potential abuse of authority. The analysis of such abuse provides the foundation for examining the legal consequences of the annulment of the EGMS resolution and the protection available to the director whose position was unlawfully terminated.

Legal Consequences of the Annulment of the EGMS Resolution and Protection of the Removed Director

The annulment of an EGMS resolution produces legal consequences extending beyond the formal cancellation of the shareholders' decision because the resolution may have been followed by changes in the company's management structure and administrative records. In the context of Judgment No. 2/Pdt.G/2019/PN Prn, the court's finding that the disputed EGMS was invalid affects the legal basis for the subsequent removal and replacement of members of the Board of Directors and Board of Commissioners. A corporate resolution that is declared invalid cannot serve as a legitimate foundation for maintaining management changes that depend directly upon that resolution. The legal consequence must be examined through the relationship between the validity of the EGMS, the notarial deed recording its resolution, and subsequent corporate administration. Manik (2023) explains that corporate acts producing changes in the composition of management must be supported by a legally valid corporate decision and cannot be separated from the statutory requirements governing the company's organs. The annulment of the EGMS therefore raises a restoration issue concerning the legal position of the director who was removed through the disputed resolution. The restoration must be assessed according to the scope of the court's judgment and the legal status existing before the invalid corporate act.

The first consequence concerns the restoration of the legal position of the director affected by the invalid resolution. When a court declares the corporate resolution invalid, the legal basis for the replacement of the director is removed insofar as the replacement was derived from that resolution. The restoration of the previous management structure reflects the principle that an invalid legal act should not produce continuing legal effects against the party whose position was unlawfully altered. Pengadilan Negeri Paringin (2019) ordered the restoration of the company's management structure following its finding concerning the invalidity of the disputed EGMS. This judicial approach demonstrates that protection of directors is not limited to monetary compensation but may include restoration of the corporate position that existed before the unlawful decision. The restoration also preserves the distinction between legitimate corporate succession and a management change produced through a defective decision-making process. Such protection is particularly important when the removed director simultaneously holds shareholder status because the individual possesses rights in two distinct legal capacities.

The second consequence concerns the legal status of subsequent administrative changes resulting from the disputed EGMS. Changes to the composition of the Board of Directors and Board of Commissioners generally require a valid corporate basis before they can be treated as legitimate changes in the company's management structure. The registration or reporting of a management change to the Ministry of Law and Human Rights does not independently cure defects in the underlying corporate resolution. This principle follows from the distinction between the validity of the underlying corporate act and the administrative recording of that act. Ridwan (2025) emphasizes that administrative recognition of corporate information must remain connected to the validity of the legal act from which the information originates. Where the underlying EGMS is judicially declared invalid, subsequent administrative information based exclusively on that EGMS may require correction or adjustment according to the applicable legal mechanism. The legal position of the restored director must consequently be reflected consistently in the company's corporate administration to prevent an invalid resolution from continuing to generate formal consequences.

The third consequence concerns the notarial deed that records the disputed EGMS resolution and the extent to which its evidentiary function is affected by the invalidity of the underlying corporate decision. An authentic deed possesses strong evidentiary value concerning matters formally recorded by the notary, but its existence does not prevent a court from examining the validity of the legal act described in the deed. Yusro et al. (2020) distinguish the formal evidentiary function of an authentic deed from the substantive validity of the legal act that forms its subject matter. When the EGMS itself is declared invalid because mandatory corporate procedures were not fulfilled, the notarial instrument recording that resolution cannot independently establish the substantive legitimacy of the shareholders' decision. The legal assessment must distinguish between defects attributable to the corporate decision-making process and potential violations of the notary's own professional or statutory obligations. This distinction prevents the notary's deed from being treated as an automatic source of validity for an otherwise defective corporate resolution. The resulting legal remedy must be directed toward the specific legal defect established by the court and the consequences expressly recognized under applicable law.

The fourth consequence relates to claims for compensation arising from the unlawful removal of the director. A declaration that an EGMS is invalid does not automatically establish every element necessary for an award of damages because a compensation claim requires a legally recognizable loss and adequate proof of its causal relationship with the wrongful act. The distinction between restoration of legal status and monetary compensation is particularly important in the present case because the court restored the management position while rejecting the monetary damages claim due to insufficiently clear proof. Pengadilan Negeri Paringin (2019) illustrates that judicial protection may be granted in the form of restoration without automatically granting financial compensation. The Civil Code also provides a general framework concerning unlawful acts and compensation, but its application requires assessment of the relevant elements of unlawful conduct, loss, fault, and causation. Asyhadie (2014) places corporate disputes within the broader framework of private law in which the existence of a corporate violation and the existence of compensable loss must be established through legally sufficient reasoning. The distinction confirms that the successful challenge to an EGMS resolution does not by itself establish the precise amount or existence of every claimed financial loss.

Table 3. Legal Consequences of the Annulment of the EGMS Resolution

Legal Consequence	Legal Basis	Effect on the Parties
Annulment of the EGMS Resolution	Court judgment and Company Law	The disputed corporate resolution loses its legal basis.
Restoration of the Previous Management Structure	Judgment No. 2/Pdt.G/2019/PN Prn	The director unlawfully removed may have his or her previous corporate position restored according to the judgment.
Adjustment of Corporate Administration	Company Law and applicable	Corporate records concerning directors and commissioners may require correction to reflect the valid legal position.

	administrative regulations	
Assessment of the Notarial Deed	Law governing notarial acts and principles of authentic evidence	The deed remains distinguishable from the substantive validity of the EGMS resolution it records.
Potential Compensation	Civil Code provisions on unlawful acts	Compensation depends on proof of unlawful conduct, loss, fault, and causal relationship.
Protection of Shareholder-Director Rights	Company Law	The individual is protected in both the capacity of director and, where applicable, shareholder.

The legal consequences summarized in Table 3 demonstrate that judicial protection operates through several interconnected remedies rather than through a single form of relief. The central remedy in the disputed case is the restoration of the legal position affected by the invalid EGMS, while administrative correction and other consequences follow according to the scope of the judgment and applicable corporate regulations. Keay et al. (2020) explain that effective corporate governance requires mechanisms capable of controlling the exercise of corporate power and providing remedies when directors or shareholders are subjected to unlawful treatment. Protection of directors is particularly relevant because managerial office carries legal responsibilities that should not be terminated through procedures inconsistent with mandatory company law. At the same time, shareholder rights must remain protected because a director who also holds shares may possess independent rights arising from his or her status as a shareholder. The legal framework must consequently prevent both arbitrary removal of directors and arbitrary interference with legitimate shareholder decision-making. A balanced approach preserves corporate autonomy while ensuring that corporate power remains subject to judicial control when statutory requirements are violated.

The case ultimately demonstrates that the validity of an EGMS resolution depends on the interaction between corporate authority, procedural legality, and protection of individual corporate rights. The GMS possesses statutory authority to determine the composition of the Board of Directors, but that authority must be exercised through a legally valid meeting, proper notice, lawful representation and voting, fulfillment of quorum requirements, and observance of the director's right to defend. A failure to satisfy these requirements may undermine the legal validity of the resulting resolution and provide grounds for judicial intervention. Amrulloh (2025) emphasizes the importance of accountability in corporate governance to ensure that organizational authority is exercised within legally established boundaries. The restoration ordered in Judgment No. 2/Pdt.G/2019/PN Prn confirms that judicial protection can operate by returning the parties to the legal position recognized before the invalid corporate act, while monetary compensation remains dependent upon separate proof of legally compensable loss. The case also illustrates that the formal existence of a notarial deed or subsequent administrative recording cannot substitute for the substantive validity of the corporate resolution on which those acts depend. The normative implication is that shareholder control within a limited liability company must remain compatible with procedural fairness, fiduciary responsibility, and the rule of law governing corporate decision-making.

CONCLUSION

Based on the analysis of the validity of the EGMS in the removal of the Board of Directors, it can be concluded that an EGMS conducted without formal notice and without providing the concerned director with an adequate opportunity to defend himself or herself does not satisfy the legal requirements established under the Company Law. The authority of the GMS to remove directors is not absolute but is subject to statutory procedures and legal limitations. The validity of the removal requires proper notice of the GMS, fulfillment of the applicable quorum requirements, lawful exercise of voting rights, and the provision of an opportunity for the concerned director to present a defense. Failure to comply with these requirements undermines the legal validity of the EGMS resolution because the decision is produced through a procedurally defective decision-making process. In Judgment No. 2/Pdt.G/2019/PN Prn, such procedural defects affected the validity of the decisions concerning changes to the composition of the Board of Directors and Board of Commissioners and resulted in the restoration of the legal position of the director who had been removed. The existence of a notarial deed recording the

EGMS resolution does not by itself cure defects in the underlying corporate decision-making process. This legal position confirms that procedural protection for directors constitutes an essential component of lawful corporate governance rather than merely an internal matter among shareholders.

The implementation of the EGMS in the case also indicates potential abuse of corporate authority when shareholder powers are used to legitimize a decision whose formation process failed to comply with mandatory legal requirements. Using the EGMS mechanism to remove directors without observing the prescribed procedures may conflict with the principles of good faith, due care, accountability, and good corporate governance. Shareholders, directors, commissioners, and notaries possess different legal positions and functions within the company, requiring each party to exercise its authority within the boundaries established by law. A deviation from these boundaries may cause legal and financial harm to the removed director while also undermining legal certainty concerning the company's management structure. The case demonstrates that majority shareholder power cannot be exercised as a means of disregarding the procedural rights of a party directly affected by the corporate decision. Companies conducting GMS proceedings, particularly EGMS proceedings concerning the removal of directors, must comply with the Company Law, the Articles of Association, and applicable principles of good corporate governance. Compliance with these requirements is essential to ensure that corporate resolutions possess legal legitimacy, provide proportionate protection to corporate organs, and reduce the risk of similar corporate disputes arising in the future.

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