

1st April 2026**TRANSFER PRICING SERIES, ISSUE NO. 4****TRANSFER PRICING AND SUSTAINABILITY: VALUE CHAIN AND CONTACT POINTS**by Gian Luca Nieddu¹.

The following contribution will provide some reflections on the main points of contact – of an operational and strategic nature – between Transfer Pricing and Sustainability, in particular with reference to the issues relating to the global value chain.²

1. Transfer Pricing and Sustainability: Operational Points of Contact

Transfer pricing policies and sustainability strategies have more than one point of contact, not only at a “conceptual” level, but also and above all with regard to possible operational and strategic implications.

First and foremost, the reporting perspective proposed by the CSRD offers companies the opportunity to conduct a more in-depth analysis not only of their external impacts, but, more importantly, of the potential or current implications, in terms of risks and opportunities, that evolving external environments may have on their organizations. This allows for a greater level of awareness and the ability to forecast and manage future risks.

From this diagram, it is clear that an analysis of this type is not just a mere “social responsibility compliance” exercise, but a useful tool for reviewing one’s strategy (including transfer pricing) from an “ESG-driven” perspective, which can therefore bring significant added value.

In this context, sustainability strategies are increasingly becoming part of a more comprehensive corporate vision for multinational corporations; it is precisely in this context that Transfer Pricing intersects with ESG criteria in various ways:

- **Group structure.** Multinational corporations, at the outset of defining their own ESG-driven strategy, should (re)define who, within the group, will formulate sustainability strategies and assume the risks and costs associated with them. This can have immediate consequences in terms of profit reallocation and group restructuring. Upstream of this process, when evaluating the overall feasibility plan, it will also be crucial to identify the financial resources needed to implement ESG-driven change (e.g., this includes not only funds for replacing production facilities, but also the necessary investment in internal training and attracting new talent and skills).

¹Chartered Accountant and Registered Auditor (CEO of MUSE STRATEGY S.p.A.).

²Automatic English translation of the article published in the EC News review (<https://www.ecnews.it/>) on 1st April 2026.

- **IP and brand value.** Implementing a group-wide sustainability strategy may require the development of new forms of intellectual property (IP), or innovative new products/services and processes may be the end result of a new corporate ESG policy (think, for example, of a company producing plastic products that decides to change the raw materials used in its products and is therefore forced to reinvent its production processes, from material blends to extrusion machinery). The development of new IP, its dissemination within the group and its use by various subsidiaries, and the identification of forms of remuneration for entities engaged in related R&D activities will have significant implications for transfer pricing. Without forgetting that such an innovation process could directly influence the value of one or more brands owned by the group, with significant implications on the value perceived by end customers (for example, willingness to pay a premium price for a more "sustainable" product) or even on the possible appreciation of the share price if the company's shares are traded on regulated markets;
- **Intercompany Services.** Even if no new intellectual property is generated, implementing a sustainability strategy may result in new costs and a different use of resources. This could alter the flow of intragroup services, depending on which entity provides the services required to implement the new strategy. Alternatively—or in parallel, depending on the circumstances—the group could adopt methods for jointly developing new skills and expertise (including supranational ones), structured in specific contractual forms (for example, Cost Contribution Arrangements).³;
- **Incentives.** Governments and institutions use taxation to incentivize (discourage) behaviors deemed virtuous (or harmful). Within multinational groups, careful consideration must be given to which entities are designated to (or can be placed in a position to) benefit from any incentives. Consider, for example, a multinational group that—desiring to revolutionize its production process and product characteristics—decides to relocate its factories from a country where it has a manufacturing subsidiary to a neighbouring country that has introduced specific tax and financing incentives. In addition to the relevant international tax aspects (e.g., transfer of a business unit; exit tax), in defining intercompany prices for the sale of products thus produced in the new location by the new company to other companies in the group, it will be necessary to evaluate whether the increased competitiveness on the outlet markets served by the subsidiaries and the expected higher profits are reasonable to retain (in whole or in part) by the subsidiaries responsible for distribution and/or by those entities engaged in R&D activities (on the production processes used by the new company) and/or by the new company in addition to the market remuneration due to it on the basis of the arm's length principle.⁴;
- **Business model.** Implementing a sustainability strategy within a multinational group can have far-reaching impacts on the entire business development and management model. These changes may involve, for example, procurement methods, relationships with regulatory authorities, access to financial resources, production methods (including locations), go-to-market policies and sales channels, and customer management strategies within after-sales activities. Therefore, as in a circular vision of the structure of multinational groups, the design of the group's new cross-border structure must necessarily reconcile a macro-level vision (which will map all intercompany flows and the new functional and risk profiles of the various entities).⁵ and a micro vision (through which the economic-

³OECD Guidelines, Chapter VIII.

⁴The evaluation criteria referred to here are those concerning the so-called location savings discussed in the OECD Guidelines, Chapter I, section D.6. "Location savings and other local market features".

⁵Which will also have to find synthesis and reconciliation in an updated industrial plan.

financial and fiscal situation of each individual entity will be examined with the aim of predicting the short- and medium-term effects of the paradigm shift⁶).

In summary, it can be stated that multinational entities should carefully analyze the impact of their Sustainability strategy on global functions, assets and risks to ensure the most efficient application of their transfer pricing policies.

2. Sustainability and global value chain

In light of the above considerations, it may be useful to ask what the consequences are, from a transfer pricing perspective, of a value chain restructuring with a sustainability focus. The OECD guidelines do not provide a universal definition of business restructuring processes, highlighting how:

“Business restructuring refers to the cross-border reorganization of the commercial or financial relations between associated enterprises, including the termination or substantial renegotiation of existing arrangements⁷”.

Beyond the definition, however, the Guidelines provide detailed indications on the procedure to follow for the purposes of restructuring (where, by this, we mean a process of reorganizing the value chain).

Therefore, the analysis should begin with an examination of the transactions involved to accurately delineate functions, assets, and risks (before and after the restructuring) to understand the business rationale, the expected benefits of the restructuring, the role of potential synergies, and the possible existence of other options realistically available to the parties involved. Therefore, a restructuring guided by ESG criteria could lead to a reallocation of functions, risks, and therefore profits, different from those guided by more "traditional" and consolidated reorganization criteria, potentially posing new challenges and risks for the company undertaking this transformation for the first time.

By way of example, here are some of the impact factors (both at group and local level) that should be considered in an ESG-driven restructuring:

- i. increase in personnel costs in order to guarantee minimum wages, with a possible impact on intra-group production dynamics;
- ii. decentralization of production functions, in order to reduce the environmental impact deriving from logistics activities;
- iii. investment costs for efficient production, for example, in terms of carbon emissions;
- iv. investment costs in software for financial planning and ESG impact measurement;
- v. investments in digital technology for data collection and analysis on energy consumption and for monitoring energy consumption itself;
- vi. choices aimed at reducing costs related to energy consumption, packaging costs and waste disposal costs.

The list just described, although not exhaustive, provides an insight into how a detailed analysis and accurate delineation of the potential, new functional, risk and capital profiles is absolutely fundamental in the business restructuring process and

⁶Which will also have to be formalized in specifically revised and updated business plans.

⁷ OECD Guidelines (2022), para. 9.2.

should be done as soon as a group begins the phase of integrating ESG factors into its strategy and business processes so that it can be developed in synergy with the issues relating to the definition of its transfer pricing policy.⁸

3. Final considerations

Multinational groups should now equip themselves (primarily in terms of skills and know-how) to begin at least preliminary analyses aimed at identifying potential evolutions of their business model in light of sustainability issues. By proceeding in this way, they will then be able—through a progressive process—to develop a new group structure (with an ESG focus) more suited to their operating model and the broader economic context in which the group operates. They will also be able to identify the resources (financial and otherwise) to implement the plan, perhaps including an intermediate transition phase that can allow for necessary adjustments to the initial plan that were unforeseen or unforeseeable in the initial stages.

Lastly, and without forgetting the regulatory developments at EU level over the last twelve months which have profoundly redrawn the scope of the CSRD⁹, we want to underline how the impact of Sustainability issues must not be reduced to a mere compliance requirement, especially (as in most cases) if we are not legally required to do so.

On the contrary, aligning corporate dynamics with sustainability parameters can become a driver for developing short-, medium-, and long-term operational strategies, both domestically and transnationally, enabling business evolution and improved performance. This applies not only to large companies, but also to small and medium-sized enterprises, which are required to continuously strive to increase their dynamism and ability to compete in international markets.

MUSE Strategy

MUSE Strategy is an international consulting firm founded in 2022 to support multinational groups, families, and individuals in navigating the complexities of a globalized economic landscape. Headquartered in Milan, with offices in London and Abu Dhabi, the firm stands out for its integrated and customized approach, integrating business transformation, transfer pricing, and wealth advisory with corporate, operational, legal, and international tax aspects.

MUSE Strategy's work goes beyond mere compliance, extending to the design of long-term strategic visions, combining risk analysis, performance optimization, corporate finance, sustainability, and strategic initiative development. With a focus on anticipation rather than reaction, the firm assists clients in aligning business, capital, and governance over time, supporting long-term, consistent, and resilient decisions for international operations.

⁸A starting point for analyzing the complexities of a supranational business like that of a multinational group could be the answers to the following questions: who does what, using which assets (tangible and intangible), bearing what risks and with what means (financial and capital), and deriving what remuneration and profit.

⁹Directive 2022/2464/EU.