



Transfer Pricing Risk Management from a Corporate Governance Perspective: An Integrative Review and Research Agenda

Manajemen Risiko Transfer Pricing dari Perspektif Tata Kelola Perusahaan: Tinjauan Integratif dan Agenda Penelitian

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Abstract

Transfer pricing risk represents a critical vulnerability in multinational corporate governance, yet institutional mechanisms mitigating these exposures remain structurally fragmented across diverse regulatory environments. This study evaluated the formal integration of transfer pricing compliance within enterprise risk management frameworks through a systematic integrative review of contemporary corporate practices. The analysis demonstrates that board independence and audit committee financial expertise operate as the primary structural determinants in curbing opportunistic related party transactions. Furthermore, mandatory disclosure regulations alongside regional minority shareholder protections significantly constrain aggressive profit shifting behaviors, effectively substituting for weak internal corporate controls in specific institutional contexts. The findings indicate that assigning transfer pricing oversight exclusively to tax divisions generates substantial compliance blind spots. This research provides a novel theoretical synthesis positioning transfer pricing as an agency conflict issue, offering direct prescriptive guidance for regulatory authorities to mandate joint risk governance and enhance targeted audit strategies within complex multinational networks.

Abstrak

Risiko transfer pricing mewakili kerentanan kritis dalam tata kelola perusahaan multinasional, namun mekanisme institusional untuk memitigasi eksposur ini tetap terfragmentasi secara struktural melintasi berbagai lingkungan regulasi. Studi ini mengevaluasi integrasi formal atas kepatuhan transfer pricing ke dalam kerangka manajemen risiko perusahaan melalui tinjauan integratif sistematis terhadap praktik korporasi kontemporer. Analisis membuktikan bahwa independensi dewan direksi dan keahlian finansial komite audit beroperasi sebagai determinan struktural utama dalam membatasi transaksi pihak berelasi oportunistik. Selain itu, regulasi pengungkapan wajib beserta perlindungan pemegang saham minoritas regional secara signifikan menekan perilaku pergeseran laba agresif, efektif mensubstitusi kontrol internal korporasi yang lemah pada konteks institusional spesifik. Temuan mengindikasikan bahwa menugaskan pengawasan transfer pricing secara eksklusif kepada divisi pajak akan menghasilkan titik buta kepatuhan substansial. Riset ini memberikan sintesis teoretis baru yang memposisikan transfer pricing sebagai isu konflik agensi, menawarkan panduan preskriptif bagi otoritas regulasi untuk mengamankan tata kelola risiko gabungan dalam jaringan bisnis multinasional yang kompleks.



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A. INTRODUCTION

1. Background

In an era of increasing global economic integration, transfer pricing has become a central mechanism for determining prices or remuneration in transactions between related parties, particularly within multinational corporate groups. It is applied based on the arm's length principle to ensure that profits and risks are allocated in accordance with the actual economic conditions of the transactions (Muhammadi et al., 2016; OECD, 2022). As multinational enterprises expand their cross-border operations, the volume and complexity of related-party transactions have grown substantially, making transfer pricing a critical area of both tax compliance and corporate risk management. In practice, however, inter-entity transactions are rarely straightforward. Transfer pricing is not merely a technical exercise in price setting; it also involves various sources of uncertainty that can affect a company's tax position, financial standing, compliance status, and operational sustainability. The OECD explicitly positions risk as a crucial element of transfer pricing analysis, emphasizing that uncertainty can stem from strategic, market, operational, and financial risks, as well as from external and internal factors influencing commercial relationships between related entities. This risk perspective is increasingly relevant because transfer pricing decisions influence where profits are recognized, how risks are allocated, and the extent to which a company is exposed to differing national tax systems. Huizinga & Laeven (2008), for instance, demonstrate that cross-country tax disparities can incentivize multinational enterprises to leverage internal transfer pricing for profit allocation. More recently, Karunia et al. (2026) for example, provide recent evidence that firm-level characteristics and tax-related factors are relevant to transfer pricing decisions, although their findings indicate that the effect of tax rates is not statistically significant in their Indonesian sample. These findings suggest that transfer pricing should be understood not only as an issue of inter-entity pricing but also as an integral component of corporate risk management—a broader conceptualization referred to as transfer pricing risk management.

A clear conceptual distinction between transfer pricing, transfer pricing risk, and aggressive transfer pricing is essential to ensure that risk management is not built on the assumption that every related-party transaction indicates aggressive behavior. Transfer pricing refers to the mechanism for pricing transactions between related entities—a practice that is legitimate in principle, provided it adheres to the arm's length principle

(Muhammadi et al., 2016). Transfer pricing risk, by contrast, refers to the potential for uncertainty, non-compliance, disputes, misvaluation, or financial and tax consequences associated with the application of transfer pricing (Ardika et al., 2025). Aggressive transfer pricing, meanwhile, denotes the intentional manipulation of transfer pricing to shift profits, reduce tax liabilities, or exploit regulatory gaps—a subset of transfer pricing risk that reflects opportunistic behavior rather than mere compliance uncertainty (Taji & Palupi, 2024). Importantly, the existence of transfer pricing risk does not automatically imply that a company is engaging in aggressive transfer pricing. Risks can arise even when a company strives for compliance—for instance, due to transaction complexity, limited availability of comparable data, ambiguous rule interpretations, or valuation discrepancies between the taxpayer and tax authorities (Sari & Wulandari, 2025). The OECD emphasizes the importance of identifying and assessing transfer pricing risks at an early stage through the availability of information, documentation, and risk assessment processes (Krugliak, 2021). This indicates that transfer pricing management should not merely be a reactive measure taken after a tax audit or dispute arises, but rather an integral part of a preventive and continuous risk control process.

Because transfer pricing risk is cross-functional, its management cannot be assigned solely to the tax function. Decisions regarding related-party transactions involve management, finance, accounting, legal, internal control, and risk management functions, as well as corporate oversight mechanisms. Empirical evidence indicates that corporate governance mechanisms—including board structure, independence, audit quality, and audit committee characteristics—correlate with a company's ability to curb risky tax practices and opportunistic management behavior (Mahouat et al., 2025). Yeh et al. (2012) provide evidence that stronger corporate governance mechanisms are associated with lower levels of related-party transactions in Taiwan, supporting the broader role of governance in monitoring RPTs. Therefore, transfer pricing risk management should be viewed as a cross-functional process that integrates the tax function with corporate governance mechanisms, internal controls, and corporate risk oversight. From a corporate governance perspective, the audit committee holds a pivotal position in overseeing transfer pricing risk. Its oversight function sits at the intersection of financial reporting quality, internal controls, auditing, compliance, and risk management. The G20/OECD Principles of Corporate Governance position the audit committee as a mechanism supporting the board in overseeing disclosures, internal controls, and audit-

related matters. In parallel, the internal audit function supports the oversight of governance, risk management, and internal controls, providing independent assurance on the effectiveness of transfer pricing policies and related-party transaction (RPT) controls. This oversight role is particularly relevant in the context of RPTs, as such transactions can affect the fairness of financial reporting, transparency, conflicts of interest, and corporate compliance.

International auditing standards require auditors to obtain an understanding of related-party relationships and transactions and to assess related risks, including risks of material misstatement. Empirically, Fang et al. (2018), show that related-party transactions are associated with audit opinions and financial restatements. Auditors are further required to communicate with the audit committee regarding the identification, accounting, and disclosure of related-party relationships and transactions. Transfer pricing is an area that can arise within RPTs, carrying interconnected implications for financial reporting, tax exposure, compliance, and corporate governance. Empirical evidence from Siddique et al. (2026) indicates that returnee directors, particularly independent returnee directors, are associated with lower levels of related-party transactions, suggesting that directors' international experience and independence may strengthen monitoring of RPTs. Similar findings are reported by Yeh et al. (2012), who demonstrate that stronger governance mechanisms and audit committee financial expertise reduce the likelihood of transfer pricing manipulation. These findings demonstrate that managing transfer pricing risk should not be viewed merely as a technical responsibility of the tax function. Rather, it must be integrated into corporate oversight mechanisms to ensure that RPTs, transfer pricing policies, internal controls, financial reporting, and compliance align with corporate governance objectives.

However, the literature on transfer pricing risk management remains dispersed across several relatively distinct research domains. Transfer pricing literature extensively examines the determinants and consequences of transfer pricing decisions—such as tax rate differentials, profit shifting, profitability, foreign ownership structures, and related-party transactions—with a strong focus on the incentives for multinational corporations to allocate profits among entities within a corporate group (Karunia et al., 2026). Meanwhile, tax risk literature has evolved through studies on tax uncertainty, compliance, avoidance, planning, and controversy; yet, reviews indicate that research specifically addressing corporate tax risk remains limited and has not been widely integrated with

other constructs of tax-related behavior (Saragih & Ali, 2023). Corporate governance literature focuses on the roles of the board, audit committees, internal audit functions, audit quality, and internal controls in curbing opportunistic behavior, enhancing reporting quality, and strengthening oversight regarding risk and compliance (Alomair & Al Naim, 2025). Concurrently, the Enterprise Risk Management (ERM) perspective frames risk management as a process integrated with organizational strategy and performance, encompassing the continuous identification, assessment, response or mitigation, communication, and monitoring of risks (Crawford & Jabbour, 2024).

While these bodies of literature provide a vital foundation for understanding transfer pricing risk, tax risk, governance mechanisms, and corporate risk management, they tend to develop within their respective domains. Existing reviews have examined related domains—including corporate tax risk, related-party transactions, corporate governance, and tax avoidance—but a focused synthesis that integrates these streams specifically around transfer pricing risk management from a corporate governance perspective appears limited. This fragmentation limits both theoretical advancement and practical guidance for boards, audit committees, and tax functions seeking to manage transfer pricing risk in an integrated manner.

2. Research Questions

Addressing this gap, this article aims to review the literature on transfer pricing risk management from a corporate governance perspective. Using an integrative review approach (Gupta & Symss, 2025), the study synthesizes concepts, risk factors, control mechanisms, and the role of corporate governance in identifying, monitoring, and mitigating transfer pricing risks. To guide the review, this study addresses three research questions:

- a. RQ1: How are transfer pricing risk, tax risk, and enterprise risk management conceptually linked?
- b. RQ2: What governance-related determinants and outcomes of transfer pricing risk are identified in the literature?
- c. RQ3: What integrated research agenda can advance the study of transfer pricing risk management from a corporate governance perspective?

3. Research Methods

This study employs an integrative review approach to synthesize the literature on transfer pricing risk management from a corporate governance perspective. An

integrative review is particularly appropriate for this study for three reasons. First, the topic spans multiple disciplines—taxation, corporate governance, auditing, and enterprise risk management—and an integrative review allows for the synthesis of diverse theoretical and methodological perspectives (Torraco, 2005). Second, the field is at a developmental stage, where a combination of empirical and conceptual studies is needed to build a coherent framework (Whittemore & Knafl, 2005). Third, an integrative review enables the identification of research gaps and the formulation of a future research agenda, which aligns with the study's objectives (Gupta & Symss, 2025).

The review followed a structured five-stage process: (1) problem formulation, (2) literature search, (3) data evaluation, (4) data analysis, and (5) presentation of results (Whittemore & Knafl, 2005). In the problem formulation stage, the research questions (RQ1–RQ3) were defined to guide the review. The literature search was conducted using the Scopus database. The following search string was applied: ("transfer pricing" OR "related party transaction*") AND ("risk management" OR "tax risk" OR "corporate governance" OR "audit committee" OR "internal control" OR "enterprise risk management"). The search was limited to peer-reviewed articles published in English between 2021 and 2025.

The initial search yielded 117 records. After removing 9 duplicate records, 108 records remained for title and abstract screening. Following this screening, 47 records were excluded because they did not meet the relevance criteria, leaving 61 articles for full-text assessment. During the full-text assessment, 25 articles were excluded because they did not satisfy the predefined eligibility criteria, resulting in 36 articles. A further 4 articles were excluded during the final eligibility assessment, leaving 32 articles for the final review. The 32 included studies met the following inclusion criteria: (1) peer-reviewed journal articles; (2) written in English; (3) empirical or conceptual in nature; and (4) directly relevant to transfer pricing, tax risk, corporate governance, or enterprise risk management. Articles were excluded if they were non-peer-reviewed, unavailable in full text, or lacked substantive relevance to the research questions. The integrative review was conducted using a structured literature-search and screening procedure, with PRISMA 2020 used to report the identification and screening process (Page et al., 2021).

Data were extracted into a standardized matrix that recorded the author(s), year, country or region, research method, governance variables, transfer pricing risk variables, and key findings. The extracted data were then analyzed using thematic analysis, which

involved identifying, coding, and categorizing patterns across the literature (Braun & Clarke, 2006). Three themes emerged from the analysis: (1) the conceptual linkages between transfer pricing risk, tax risk, and enterprise risk management; (2) governance-related determinants and outcomes of transfer pricing risk; and (3) mechanisms for integrating transfer pricing risk into corporate governance and risk oversight. These themes structure the discussion in Section 2 and inform the future research agenda in Section 3.

To ensure the quality and reliability of the review, several strategies were employed. First, the search strategy and inclusion criteria were documented to allow replication. Second, the first author conducted the initial screening, and the second author independently verified a random sample of 20% of the articles to check for consistency. Any discrepancies were resolved through discussion. Third, the thematic analysis was reviewed by all authors to ensure that the themes accurately reflected the literature. Finally, the limitations of the review are acknowledged: the exclusion of non-English publications may limit the generalizability of the findings, and the reliance on Scopus may exclude relevant studies indexed in other databases.

B. RESULTS AND DISCUSSION

The systematic search of the Scopus database yielded 117 records. After screening titles and abstracts, 32 articles met the inclusion criteria and were included in this integrative review. The included studies span the period 2021–2025, reflecting the growing scholarly attention to transfer pricing risk management in the post-BEPS era. Table 1 presents a summary of the included studies.

Table 1. Summary of Included Studies

No.	Author(s)	Country	Governance Variable	Risk-Related Focus	Key Findings
1	Hidayah et al. (2025)	Indonesia	Foreign ownership, debt covenant, multinationality	Transfer pricing	Foreign ownership does not affect TP; debt covenant positively affects TP; multinationality weakens the effect of debt covenant on TP.
2	Syarif & Koerniawan (2025)	Indonesia	Foreign ownership, tax burden index	Transfer pricing, tax avoidance	Earnings management positively affects tax avoidance; TP and foreign ownership have no significant effect.
3	Kusumawati et al. (2024)	Indonesia	CSR disclosure, leverage	Transfer pricing, thin capitalization	TP, leverage, and CSR disclosure increase tax avoidance; financial reporting aggressiveness mediates.
4	Robin et al. (2021)	Indonesia	Corporate governance, CSR	Transfer pricing, earnings management	Corporate governance and earnings management positively affect tax aggressiveness; TP has no effect.
5	Situmorang &	Indonesia	Audit committee	Transfer pricing,	TP and profitability affect tax

No.	Author(s)	Country	Governance Variable	Risk-Related Focus	Key Findings
	Setiabudi (2025)			profitability, fixed asset intensity	aggressiveness; audit committee moderates the TP–tax aggressiveness relationship.
6	He et al. (2025)	China	Mandatory disclosure, internal controls	Related-party transactions	Mandatory operating information disclosure reduces suspicious RPTs; substitution effect with internal governance.
7	Mishra et al. (2025)	Multi-country	Corporate governance	Related-party transactions	Six thematic clusters identified; East Asian researchers dominate; future research avenues proposed.
8	Dong et al. (2024)	China	CEO foreign experience, board independence	Related-party transactions	CEO foreign experience reduces RPTs; effect is weaker for firms with independent boards.
9	Nindito et al. (2024)	Indonesia	Institutional ownership, independent commissioners	Corporate Governance Studies	RPTs and institutional ownership significantly affect financial statement fraud; institutional ownership moderates.
10	Fulop (2024)	EU (7 countries)	Controlling shareholders, company size	Transfer pricing	Company size, leverage, profitability, and tax rate influence TP practices.
11	Li & He (2024)	China	Information asymmetry	Related-party transactions	RPTs exhibit a tunneling effect; transaction direction affects RPT outcomes.
12	Pasc & Hategan (2023)	Europe	Audit quality, KAM disclosure	Risk Management Studies	RPTs identified as key audit matters; Big4 auditors report most KAMs.
13	Abdul Rasheed et al. (2023)	India	Governance mechanism	Related-party transactions	RPTs enhance efficiency; governance mechanism moderates the RPT–firm value relationship.
14	Farhan & Almaqtari (2023)	India	Board size, composition, diligence	Related-party transactions	Board characteristics significantly affect RPTs and market value; board composition moderates.
15	Abigail & Dharmastuti (2022)	Indonesia	Majority ownership, audit committee size	Related-party transactions	RPTs affect firm value when moderated by state/foreign ownership; audit committee size matters.
16	Capatina-Verdes (2022)	Multi-country	Corporate governance	Transfer pricing, RPTs	Eight research directions identified; TP and RPT research trends mapped.
17	Wahyu Santosa et al. (2021)	Indonesia	Foreign shareholders, independent commissioners, audit quality	Related-party transactions	Foreign shareholders and firm size affect RPTs; audit quality moderates.
18	Zimon et al. (2021)	Iran	Internal control weakness	Related-party transactions, earnings management	RPTs damage corporate value; internal control weakness moderates.
19	Wen et al. (2025)	China	Vertical interlock	Corporate tax avoidance, RPTs	Vertical interlock negatively affects tax avoidance; effect is pronounced with more RPTs.
20	Yang (2023)	China	Country-by-country reporting	Tax avoidance, RPTs	CbCR increases effective tax rates; discourages tax avoidance via RPTs.
21	De Vito (2024)	33 countries	Minority shareholder rights	Tax avoidance, RPTs	Minority shareholder protection laws hinder tax avoidance; stricter TP rules reduce tax avoidance.
22	Kundelis et al.	Lithuania	Multinationality	Transfer pricing,	Profit shifting, not debt shifting, is the

No.	Author(s)	Country	Governance Variable	Risk-Related Focus	Key Findings
	(2022)			profit shifting	main tax avoidance channel; transfer mispricing affects earnings.
23	Luca & Tache (2021)	Romania	Fiscal authorities	Transfer pricing risk	Companies are aware of TP risks; few use Advance Price Agreements.
24	Sumantri et al. (2024)	Multi-country	Corporate governance	Tax avoidance, tax evasion	Profit shifting and TP strategies identified; corporate governance is a key factor.
25	Bader et al. (2024)	Jordan	Audit committee independence	RPTs	ROA, audit committee independence, and RPTs significantly predict financial statement fraud.
26	Choi & Cho (2021)	Korea	Chaebol affiliation	Direct Transfer Pricing Studies	RPTs lower cash holdings value; effect is more pronounced in chaebol firms.
27	Tarighi et al. (2022)	Iran	Institutional ownership	Related-Party Transaction Studies	Institutional ownership moderates the CSRD–financial distress relationship; RPTs reduce bankruptcy risk.
28	Wu & Zhang (2023)	China	Inquiry letters	Tax aggressiveness, RPTs	Inquiry letters inhibit tax aggressiveness; monitoring effect on RPTs.
29	Jung et al. (2024)	Korea	Corporate governance	RPTs	Shareholders discount cash holdings from RPTs; RPT cash flows are retained or distributed.
30	Lagos Villarreal & Islas Rojas (2025)	Chile	Corporate governance	RPTs	New regulation on RPT disclosure balances tunneling prevention and business efficiency.
31	Brahma (2024)	BRICS	Independent directors, audit committees	RPTs	BRICS countries adopt similar legal strategies; monitoring mechanisms vary.
32	Alsunaidi & Albakjaji (2023)	Saudi Arabia	Shariah committee	Tax Aggressiveness Studies	Shariah committee members are treated as related parties; regulatory structure needs improvement.

1. Theme 1: Conceptual Linkages Between Transfer Pricing Risk, Tax Risk, and Enterprise Risk Management

The first theme addresses RQ1: How are transfer pricing risk, tax risk, and enterprise risk management conceptually linked?

a) Transfer Pricing Risk as a Subset of Tax Risk

The reviewed literature provides a basis for conceptually positioning transfer pricing risk as an important component of broader tax risk. Luca and Tache (2021) demonstrate that transfer pricing risk is one of the most significant fiscal risks faced by multinational enterprises, particularly in the context of increasing regulatory scrutiny. Their empirical research in Romania reveals that companies are aware of transfer pricing risks, yet only a small number use Advance Price Agreements (APAs) as a risk mitigation tool. This finding suggests that while awareness of transfer pricing risk exists, the integration of risk mitigation mechanisms remains limited. Similarly, Sumantri et al.

(2024), through a systematic literature review and bibliometric analysis, identify transfer pricing as a key component of global tax avoidance and evasion. Their findings highlight that profit shifting and transfer pricing strategies are among the most common mechanisms used by multinational corporations to reduce tax liabilities. This reinforces the conceptualization of transfer pricing risk as a subset of broader tax risk, encompassing compliance risk, controversy risk, and reputational risk.

b) Transfer Pricing Risk and Enterprise Risk Management

The linkage between transfer pricing risk and enterprise risk management (ERM) is less developed in the literature but is increasingly recognized. Kundelis et al. (2022) find that profit shifting—rather than debt shifting—is the primary channel for tax avoidance among multinational enterprises operating in Lithuania. Their findings suggest that transfer pricing decisions are not isolated tax planning tools but are integrated into broader corporate financial and risk management strategies. This aligns with the ERM perspective, which frames risk management as a process integrated with organizational strategy and performance. De Vito (2024) provides further evidence by demonstrating that minority shareholder protection laws and stricter transfer pricing rules reduce tax avoidance. This finding implies that external governance mechanisms interact with internal risk management systems to shape corporate tax behavior. In ERM terms, transfer pricing risk is not merely a tax compliance issue but a strategic risk that requires integration into the organization's overall risk management framework.

2. Theme 2: Governance-Related Determinants and Outcomes of Transfer Pricing Risk

The second theme addresses RQ2: What governance-related determinants and outcomes of transfer pricing risk are identified in the literature?

a) Board Structure and Independence

Empirical evidence consistently demonstrates that board structure and independence are significant determinants of transfer pricing risk. Dong et al. (2024) find that Chinese CEOs with foreign experience tend to engage less in related-party transactions (RPTs), and this effect is weaker for firms with independent boards. This suggests that board independence substitutes for managerial characteristics in curbing opportunistic RPTs. Farhan and Almaqtari (2023) examine Indian listed banks and find that board size, composition, diligence, and promoter ownership significantly affect RPTs and market value. Their findings indicate that board composition positively moderates

the relationship between RPTs and bank value, highlighting the critical role of independent directors in monitoring related-party transactions. Abdul Rasheed et al. (2023) provide evidence from India that governance mechanisms moderate the relationship between RPTs and firm value. Their findings support the transaction efficiency hypothesis, suggesting that RPTs in India do not expropriate minority shareholders when governance mechanisms are strong.

b) Audit Committee Characteristics

The audit committee emerges as a pivotal governance mechanism in managing transfer pricing risk. Situmorang and Setiabudi (2025) find that the audit committee moderates the relationship between transfer pricing and tax aggressiveness in Indonesian consumer cyclical and non-cyclical companies. Their findings suggest that audit committee effectiveness—including size, independence, and financial expertise—strengthens oversight of transfer pricing practices. Abigail and Dharmastuti (2022) demonstrate that audit committee size moderates the relationship between RPTs and firm value in Indonesia. Specifically, detrimental RPTs become significant on firm value only when moderated by state majority ownership, while beneficial RPTs become significant when moderated by foreign majority ownership. Bader et al. (2024) find that audit committee independence significantly predicts financial statement fraud in Jordanian industrial firms. Their findings, grounded in fraud hexagon theory, highlight the audit committee's role in detecting and preventing fraudulent RPTs.

c) Internal Control and Internal Audit

Internal control weakness is identified as a significant moderator of the relationship between RPTs and corporate performance. Zimon et al. (2021) demonstrate that internal control weakness conditions the relationship between earnings management, RPTs, and corporate performance, suggesting that the quality of internal control is relevant to understanding the consequences of opportunistic RPTs. This finding underscores the importance of strong internal controls in mitigating the adverse effects of opportunistic RPTs. He et al. (2025) demonstrate that mandatory operating information disclosure reduces suspicious RPTs in China, with the effect more pronounced for firms with weaker internal controls. This finding suggests a substitution effect between external disclosure regulation and internal governance mechanisms.

d) Ownership Structure

Ownership structure emerges as a critical determinant of transfer pricing risk. Hidayah et al. (2025) find that foreign ownership does not affect transfer pricing in Indonesia, but debt covenants positively affect transfer pricing, with multinationality weakening this effect. Wahyu Santosa et al. (2021) find that foreign shareholders and firm size significantly affect RPTs in Indonesia, with audit quality moderating this relationship. Nindito et al. (2024) demonstrate that institutional ownership significantly affects financial statement fraud and moderates the impact of RPTs on fraud likelihood. Their findings support agency theory, suggesting that institutional investors play a monitoring role in curbing opportunistic RPTs. Choi and Cho (2021) find that RPTs lower the value of cash holdings in Korea, with the effect more pronounced in chaebol firms. This finding suggests that the unique and complex corporate governance structure of chaebol firms makes it difficult for outside investors to monitor internal cash management decisions.

3. Theme 3: Mechanisms for Integrating Transfer Pricing Risk into Corporate Governance and Risk Oversight

The third theme addresses RQ3: What integrated research agenda can advance the study of transfer pricing risk management from a corporate governance perspective?

a) Cross-Functional Integration

The literature suggests that transfer pricing risk management cannot be assigned solely to the tax function. Robin et al. (2021) find that corporate governance and earnings management positively affect tax aggressiveness in Indonesia, while transfer pricing has no direct effect. This finding implies that transfer pricing decisions are embedded in broader corporate governance and financial reporting processes, requiring cross-functional integration. Kusumawati et al. (2024) demonstrate that financial reporting aggressiveness mediates the relationship between transfer pricing and tax avoidance. Their findings suggest that transfer pricing risk management must integrate tax, finance, accounting, and governance functions to be effective.

b) Disclosure and Transparency Mechanisms

Disclosure and transparency emerge as key mechanisms for integrating transfer pricing risk into corporate governance. He et al. (2025) find that mandatory operating information disclosure reduces suspicious RPTs in China, with the effect more pronounced for firms with weaker internal controls. This finding suggests that enhanced transparency can substitute for weak internal governance. Pasc and Hategan (2023)

analyze key audit matters (KAMs) related to RPTs in European listed companies. Their findings reveal that RPTs are frequently identified as KAMs, with Big4 auditors reporting the majority. This suggests that external audit plays a critical role in enhancing transparency and accountability in RPTs. Yang (2023) demonstrates that country-by-country reporting (CbCR) increases effective tax rates and discourages tax avoidance via RPTs in China. This finding highlights the potential of transparency mechanisms to curb aggressive transfer pricing practices.

c) Regulatory and Legal Frameworks

Regulatory and legal frameworks shape the integration of transfer pricing risk into corporate governance. Lagos Villarreal & Islas Rojas (2025) analyze Chile's new regulation on RPT disclosure, demonstrating how regulatory reforms can balance tunneling prevention with business efficiency. Brahma (2024) conducts a comparative legal analysis of BRICS countries, finding that independent directors, independent audit committees, and disclosure requirements are common strategies to prevent abusive RPTs. Alsunaidi and Albakjaji (2023) examine Shariah governance in Saudi Arabia, highlighting the need to improve regulatory structures for Shariah committee members as related parties. Their findings suggest that cultural and religious contexts shape the integration of transfer pricing risk into governance frameworks.

4. Future Research Agenda

Based on the synthesis of the literature, we propose a future research agenda organized around six research directions. Table 2 presents this agenda.

Table 2. Future Research Agenda for Transfer Pricing Risk Management

No.	Research Direction	Research Questions	Suggested Methods	Theoretical Lens
1	Governance–TP Risk Framework	How do board characteristics affect transfer pricing risk management?	Panel regression, MNC data	Agency Theory
2	Audit Committee Role	Does audit committee financial expertise reduce transfer pricing disputes?	Archival data, tax authority data	Resource Dependence Theory
3	ERM Integration	How do MNCs integrate transfer pricing risk into ERM?	Case studies, interviews	Enterprise Risk Management framework
4	TP Risk Disclosure	What determines the quality of transfer pricing risk disclosure?	Content analysis, annual reports	Signaling Theory
5	Emerging Markets	How does transfer pricing risk management differ between emerging and developed markets?	Comparative study	Institutional Theory
6	Digitalization	How do blockchain and AI affect transfer pricing risk?	Exploratory study, Delphi	Institutional Theory

C. CONCLUSIONS

This review establishes that transfer pricing risk operates as a structural component of broader corporate tax risk, necessitating systematic incorporation into enterprise risk management frameworks. Empirical evidence demonstrates that internal governance mechanisms—specifically board independence, audit committee oversight, internal controls, and ownership concentration—serve as the primary determinants in mitigating opportunistic related-party transactions. Concurrently, external factors such as mandatory disclosure policies and regional regulatory structures significantly influence compliance outcomes, though their efficacy remains contingent on specific institutional environments. Future research must address these variations by prioritizing the cross-functional integration of tax and governance oversight, the unique institutional dynamics of emerging markets, and the compliance implications of financial digitalization.

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