THE BUSINESS'S COMMERCIAL SUCCESS SUBSTANTIALLY DEPENDS UPON:

Incentive structures that are designed to maximize sales or minimize costs, but which also create risk to the health and welfare of customers or patients.

RED FLAG NO.

AI WITH AI & DATA LENS

22

RED FLAGS IN THE COST STRUCTURE AND THE REVENUE MODEL

Such as:

- **Excessive sales targets in banking leading to sale of financial products that are not appropriate for customer circumstances**
- **Excessive sales targets or third-party benefits in the pharmaceutical sector, leading to over-prescription of potentially addictive medications**
- **Sales incentives based on profits on essential medications, leading to higher prices and reducing access to medicines for vulnerable persons**
- **Commercial incentives embedded into AI-driven healthcare or financial platforms that advise patients/customers or make recommendations or decisions on their behalf that prioritize revenue generation, cost reduction or efficiency over customer or patient needs**

HIGHER-RISK SECTORS:

- Pharmaceutical sector, particularly in regards to operations in developing countries
- Retail banks
- Finance industry (e.g., lender commissions to mortgage brokers)
- Packaged foods (e.g., baby formula manufacturers)

KEY QUESTIONS FOR LEADERS TO ASK OR BE ASKED:

- How does the company know whether the incentives and benefits structures it has in place to maximize sales do not, in practice, risk sales practices that conflict with consumers' or patients' best interests?

- ***Pharmaceutical-specific:*** If the company uses incentive schemes that reward salespeople for *profits* on products, rather than *revenue*, how does it ensure that resultant higher drug prices do not compromise access to essential medicines for vulnerable people?

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RISKS TO PEOPLE

Incentive and benefit structures, a key component of the sales promotion strategy of many companies, are designed to reward salespeople for revenue generated for the business. However, such structures can lead to negative outcomes for people where targets are excessively high, practices are subject to inadequate oversight, promotion activities towards third parties lead to over- or inaccurate prescription or recommendations and in some cases, where incentives are profit-based.

- **Excessive sales targets and inadequate oversight can lead to predatory sales behavior.** In the retail banking industry, this has included:
  - unauthorized transactions on client accounts;
  - sale of insurance products to clients who do not meet eligibility requirements (and therefore cannot take advantage of them);
  - targeting the elderly or people conversing in their second language; and
  - sale of loans to people who cannot meet repayment obligations.

  (Privacy and Information rights; Economic security rights; Right to an adequate standard of living; Right to housing).

- Heightened risks arise where salespeople are required to use discretion in evaluating customer fitness for access to a product and/or have the ability to access/ modify private customer information without adequate oversight.

- **Influencing third parties leading to excessive or inappropriate prescription or recommendation of products**: Where incentive structures influence a professional's exercise of discretion, consumers may be more likely to be given advice or products that are not appropriate for their personal circumstances, affecting their health and/or finances:
  - WHO, UNICEF and the Lancet have highlighted how commercial incentives to grow baby formula sales have contributed to marketing practices aimed at increasing product uptake among new parents. Researchers found that manufacturers have used health-related claims, targeted advertising and engagement with health professionals in ways that can exploit parental anxieties and influence infant feeding decisions, despite limited evidence supporting many marketing claims. *(Right to life; right to health)*
  - Sale of "sub-prime" loans by mortgage brokers receiving commissions from lenders, at interest rates above market and/ or to borrowers who could not afford repayments (see CESR) *(Right to an adequate standard of living, including Right to Housing);* and
  - Over-prescription of potentially addictive painkillers facilitating or leading to addiction *(Right to life; right to health).*

- In the context of essential medicines, **sales incentives that reward based on profits on products** (rather than revenue) can drive up the price of essential medicines, reducing access to medicines for vulnerable persons. *(Right to life, right to health)*

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RISKS TO PEOPLE

- AI can intensify this red flag where **commercial incentives are embedded into automated systems that advise customers or patients**, or which **make recommendations or decisions on their behalf**. Where these systems are optimized for sales, revenue, conversion or throughput, rather than on the basis of their suitability for, and the welfare of, users, they can replicate or amplify risks traditionally associated with misaligned employee incentives. For example, AI-enabled tools are increasingly being developed to support clinicians in diagnosis and treatment decisions, including recommendations about medication. If the companies developing or deploying these tools have commercial interests linked to particular treatments, products or services, there is a risk that incentives traditionally associated with pharmaceutical sales practices become embedded into automated recommendation systems.

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RISKS TO THE BUSINESS

- **Reputational, Financial and Business Opportunity Risks:** Scrutiny from governments, investors and civil society is becoming increasingly sophisticated and granular, including to the level of the existence and effect of sales targets.

- **Regulatory Risks:** The behavior can affect the reputation of an entire industry and potentially lead to increased regulation.
  - The Australian Royal Commission found that, prior to 2019, banks and financial advisers were often rewarded through commissions, bonuses and sales targets linked to the sale of mortgages, insurance, superannuation and investment products. These incentive structures contributed to the sale of products that were inappropriate for customers' needs, with the provision of poor-quality financial advice and other forms of misconduct causing widespread consumer harm. The findings prompted major reforms aimed at reducing conflicts of interest and aligning remuneration and sales practices more closely with customer outcomes.
  - In 2026, the Reserve Bank of India introduced new rules to curb the mis-selling of financial products after identifying concerns that sales incentives and cross-selling practices were encouraging banks to market products that were unsuitable for customers' needs and risk profiles. The reforms aim to protect consumers' rights to fair treatment, informed decision-making and access to appropriate financial products.

- **Reputational, Financial, Business Continuity, Regulatory and Legal Risks:** As the impacts associated with this red flag tend to accumulate over time and exacerbate existing social vulnerabilities, when impacts reach public consciousness, they tend to do so explosively, in the form of scandals, exposés and the partial collapse of industries. Companies face resulting litigation, increased scrutiny and regulation and reputational damage. For example:
  - In 2024, Cerebral, a direct-to-consumer telehealth provider, came under regulatory scrutiny after U.S. authorities alleged that it implemented business practices designed to increase prescriptions of controlled substances. Practices included internal prescribing targets, provider incentives and performance metrics tied to prescription rates. According to the U.S. Department of Justice, these practices were intended to increase patient retention and revenue, creating concerns that commercial objectives were influencing clinical decision-making. The company ultimately entered into a non-prosecution agreement and agreed to pay more than $3.6 million, while also facing significant reputational damage, regulatory scrutiny and ongoing oversight obligations.
  - In 2023, UnitedHealth faced allegations that an algorithm used to help assess post-acute care needs for Medicare Advantage patients resulted in older patients being denied coverage for care recommended by their doctors. A lawsuit filed by families of affected patients alleged that the system **prioritized cost objectives over individual patient needs**, highlighting concerns that automated decision-making systems can embed financial incentives in ways that affect patient welfare.
  - In the context of aggressive sales tactics and over-prescription in the opioid crisis, drug companies faced lawsuits, and saw their reputation damaged and stock lose value. Reportedly, 70% of Americans support "making drug companies pay the cost of addiction treatment services and cover the cost of naloxone, used to revive people who've overdosed."

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WHAT THE UN GUIDING PRINCIPLES SAY:

**For an explanation of how companies can be involved in human rights impacts, and their related responsibilities, see here.*

The UNGPs note that companies should "strive for coherence between their responsibility to respect human rights and policies and procedures that govern their wider business activities and relationships. This should include, for example, policies and procedures that set financial or other performance incentives for personnel…". (Principle 16, Commentary).

- Where salespeople undertake predatory or unethical behavior on behalf of the company, the company may **cause** any human rights impacts suffered by customers as a result.
- Where companies offer certain kinds of incentives in higher risk contexts, they risk **contributing** to impacts, e.g. if a pharmaceutical company operating in countries where access to medicine is a salient risk does not take steps to decouple incentive schemes from the cost of essential medicines.
- Companies that offer incentives to third parties in order to sway their advice to customers/patients may **contribute** to impacts suffered by those that receive inappropriate advice or products.

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POSSIBLE CONTRIBUTIONS TO THE SDGS:

Addressing risks to people associated with this red flag indicator can contribute to, inter alia:



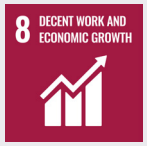
SDG 1: No Poverty, in particular

- **Target 1.4:** By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.



SDG 3: Good Health and Well-Being, in particular

- **Target 3.5:** Strengthen the prevention and treatment of substance abuse, including narcotic drug abuse and harmful use of alcohol.
- **Target 3.8:** Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.



SDG 8: Decent Work and Economic Growth, in particular

- **Target 8.10:** Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.

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DUE DILIGENCE LINES OF INQUIRY:

Promotional practices influencing third parties

- Do we have a policy in our marketing practices with regard to potential human rights impacts, and do we include our marketing practices as part of our human rights due diligence?
- What evidence do we have as to whether our salespeople are acting in practice in line with our marketing policies and prescribed processes?
- What are the different contexts in which our products/services will be sold/recommended to individuals? How might poverty, a lack of information or other vulnerabilities affect potential impacts from our products? What strategies do we have in place to ensure that our products are not sold/recommended in circumstances where the products might lead to harm to our customers?
- Do we provide adequate training to our sales professionals to enable them to make decisions guided by our human rights responsibilities?
- How might our salespeople, or the professionals they influence, be incentivized to act otherwise than in accordance with our policies?
- Do we have sufficient oversight over our salespeoples' activities? How do we internally/ externally audit our practices?
- What grievance mechanisms do we have, who can access them and how do we act on results?

Sales targets and predatory sales behavior

- Who are our most vulnerable potential customers? How can our products/ services potentially be connected to negative impacts on people?
- Do our salespeople exercise discretion in evaluating the appropriateness of a product for customer? How is this guided or constrained?
- How can we track any increases in sales to potentially vulnerable people?
- In practice, how do our salespeople experience the relative pressures to both deliver on sales targets and protect vulnerable people from potential impacts associated with our products/services? Do they find the two to be in tension and do they know how to address those tensions in practice?
- Do our salespeople have the ability to access/modify private customer information? What protections/ oversight is in place?

Profit-based incentives and access to medicine

- How do we incentivize our sales teams across geographies in which we operate? Do our incentive structures reward for profits on products (as opposed to revenue)?
- Could our incentives structures be playing a role in high/ rising drug prices?
- If so, do we know whether higher prices could exacerbate existing vulnerabilities among potential consumers and limit access to essential medicines?
- Can we find a way to decouple sales agents' incentives from sales targets?

Sales incentives and over-prescription in pharmaceuticals

- Do we offer sales bonuses based on sales volume in the context of drugs prone to over-prescription?
- Could we avoid deploying sales agents for such medicines, or decouple sales bonuses from volumes?

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MITIGATION EXAMPLES:

Mitigation examples are current or historical examples for reference, but do not offer insight into their relative maturity or effectiveness.

Removing sales-based incentives:

- In addition to removing sales incentives for customer-facing colleagues in 2016, **NatWest** provides training to customer-facing employees, which includes making sure they consider customer needs and do not engage in high-pressure sales techniques.

ALTERNATIVE MODELS:

- The UK's antimicrobial subscription model changes the commercial incentives for developing and supplying new antibiotics by paying manufacturers based on the assessed value of making selected medicines available, rather than the volume sold. By delinking revenues from prescribing volumes, the model seeks to remove incentives to maximise sales while supporting appropriate antibiotic use and maintaining commercial incentives for investment in new antimicrobial treatments.

OTHER TOOLS AND RESOURCES:

- ***Sales Incentives and Over Prescription:*** The Access to Medicine Foundation's Antimicrobial Resistance Benchmark evaluates the efforts of leading pharmaceutical companies to combat drug resistance and ensure appropriate access to products in low- and middle-income countries. This includes evaluating companies' efforts to implement sales practices that disincentivize the overselling of their antimicrobial medicines.
- **Shifting incentives through delinked payment models:** Hawkins, Towse & Adler (2025) **"Delinked Payment Systems and Insurance Value"**
- ***Financial Services Misconduct:*** e.g., Submission of Dr. Kym Sheehan and Prof. David Kinley of Sydney Law School to the Australian Royal Commission into Misconduct in the Banking and Financial Services Sector.
  - ***OECD (2026) Consumer Finance Risk Monitor**, particularly chapter 4 on "Conduct-related risks"*
  - ***Misleading marketing practices of infant formula in developing countries:*** The 2023 Lancet Series on Breastfeeding

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