Healthcare supply chains: Managing modern slavery risks in hospital procurement

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Healthcare organizations should be aware of growing scrutiny over supply chain practices, including with respect to risks of forced and child labour and modern slavery. With Canada beginning to seize goods at the border and entering the third reporting cycle under the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (Supply Chains Act), and a majority of public hospitals across Canada approaching their March 31 year-end, there are immediate measures hospitals, purchasing groups, and other healthcare organizations can implement to strengthen compliance and mitigate mounting risks.

Key takeaways

- **Which healthcare products carry the highest modern slavery risks?** PPE, surgical supplies, medical devices, and textiles represent the most documented forced and child labour vulnerabilities in hospital supply chains.
- **What reputational risks do hospitals face from supply chain issues?** As regulatory scrutiny increases and transparency expectations rise, previously hidden labour-rights issues may surface publicly, creating reputational and operational risks for front-line healthcare organizations.
- **How can supply chain issues disrupt hospital operations?** Non-compliant goods destined for healthcare use may be seized at the border like any other goods, leading to months of delay and potential denial of entry, directly impacting delivery of patient care.
- **How has border enforcement changed for Canadian organizations?** Canada Border Services Agency (CBSA) detention actions targeting imports jumped from a single seizure in 2024 to nearly 50 in 2025.[1]
- **What compliance deadlines should healthcare organizations prioritize?** The third reporting cycle under the Supply Chains Act is now underway. 2025 reports are due May 31, 2026, while market and regulator expectations continue shifting beyond year-one standards.

Where healthcare supply chains are most vulnerable

Canadian hospitals, purchasing groups, and other healthcare organizations rely on global supply chains to procure large volumes of medical devices, PPE, surgical instruments, pharmaceuticals, and textiles from abroad, which carry risks associated with modern slavery. Documented cases of forced and child labour have recently surfaced within healthcare supply chains connected to Canadian organizations.

Read about recent examples of healthcare supply chain vulnerabilities

Medical gloves. Malaysia, which supplies about 70 per cent of the world's rubber gloves, has faced repeated forced labour allegations. Major manufacturers in the sector were accused of exploitative practices, leading to import bans in the United States. In 2022, Canadian organizations terminated two major contracts worth $222 million over similar concerns.

Scalpels, medical instruments, and textiles. In 2015, surgical instruments used by the U.K.'s National Health Service (NHS) were linked to child labour in Pakistan, where children as young as 11 were reported working. By 2024, the U.K. government found over 21 per cent of NHS suppliers at "high risk" of modern slavery for items like instruments, gloves, gowns, and masks.

Read more about enforcement and compliance risks

Healthcare organizations face several risks arising from their unique supply chains, including:

1. Shipments of products destined for hospital or clinic use being seized and detained for many months, meaning that they would not be available for hospital use during this time (and could ultimately be denied entry). The Canadian government has committed $617.7 million over five years, starting in 2025-26, with $198.3 million ongoing for the CBSA to increase its capacity to detect and intercept illicit goods, and defend Canadian industries by enforcing import measures. Healthcare organizations should not assume their supply chains will indefinitely avoid scrutiny if compliance gaps exist, particularly as enforcement capacity expands.
2. The revelation that equipment in use by the healthcare provider was produced in conditions of forced or child labour, and the provider did not have a due diligence framework in place to detect, prevent and address these risks, which could cause serious reputational harm to a healthcare organization.

Robust due diligence documentation may be a useful tool for organizations to persuade the CBSA to release detained shipments, minimizing operational disruption. Such documentation may also serve to defend organizations under public or regulatory scrutiny.

Explore the three key compliance pressures affecting healthcare

1. **Variable compliance across supply chains.** Healthcare supply chains involve multiple stakeholders, and compliance readiness varies significantly across different network participants. This may create exposure for hospitals and other downstream healthcare organizations, who are no less responsible for their own compliance obligations, regardless of their business arrangements.
2. **Increasing scrutiny from the government, NGOs, the media, investors, and the public**. While the Supply Chains Act does not prescribe a specific due diligence standard, market expectations are steadily shifting. What was considered adequate in year one will not meet expectations in year four. Healthcare organizations that do not evolve with these norms may find themselves as outliers in an increasingly proactive sector, with the compliance floor moving upwards as delinquent organizations become a shrinking minority. Additionally, Public Safety Canada plans to launch an assessment tool by March 31, 2026, which may bring increased regulator scrutiny of reports.
3. **Increasing transparency.** As the reporting regime matures, issues of forced and child labour in supply chains are more likely to become public, creating reputation risk for organizations. Because compliance reports are publicly accessible, weaknesses can be scrutinized by stakeholders and used to hold entities publicly accountable.

Footnote

[1] Standing Committee on International Trade, 45th Parl, 1st Sess (Nov. 27, 2025), Meeting No. 16 at 1550 (Alexander Lawton)

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