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What Healthcare Learned About Evidence and What Supply Chain Boards Still Miss

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Introduction

Every year, management teams prepare compliance reports that boards are asked to rely on. Audits are conducted, certifications renewed, policies signed off. And yet forced labor persists, often in the same supply chains those reports declared clean.

This paper argues that the problem is not intent. It is architecture. The oversight systems most boards rely on were not designed to find what suppliers prefer not to disclose. They were designed to document that the right questions were asked.

The healthcare industry, like most other sectors, faces this challenge. For decades, clinical medicine relied on periodic trials and institutional reporting: rigorous on paper, but structurally blind to what was happening in real time. Looking through the healthcare lens, we show how the shift to real-world evidence, continuous monitoring, and independently sourced data can transform what the system can see.

Drawing on that parallel, this paper sets out what data boards are receiving, why it falls short, and what genuine oversight requires, including five questions every risk committee should be able to answer, and the legal and fiduciary consequences of not being able to.

In July 2020, U.S. Customs and Border Protection (CBP) issued a Withhold Release Order against Top Glove, one of the world's largest disposable glove manufacturers, citing indicators of forced labor, including debt bondage, excessive overtime, retention of identity documents, abusive working and living conditions. When CBP escalated to a formal Finding in March 2021 – directing personnel at U.S. ports to begin seizing shipments – the action exposed a critical governance gap. Audits had been conducted. Certifications had been issued. Compliance reports had reached boards.

And yet, the risks persisted. Under pandemic demand pressure, they intensified.

When the ban took effect, health systems faced an immediate operational crisis: shortages of critical protective equipment during a pandemic surge. What appeared on paper as a supply chain risk arrived at the bedside. Despite later remediation efforts, the episode exposed how fragile paper-based assurance can be under pressure and how quickly a governance failure becomes an operational consequence.

One of us has overseen supply chain operations across the Middle East and Asia; the other has spent nearly three decades building and evaluating healthcare evidence systems. Between us, we have sat inside governance structures that confronted exactly this challenge. The pattern is consistent: boards with strong intent and sophisticated frameworks making consequential decisions from information that does not reflect reality. We have seen this from both sides, overseeing operations where audit cycles are scheduled months in advance, and sitting on governance bodies that receive the resulting reports as assurance.

This is a central governance challenge for boards overseeing complex supply chains. And one industry – healthcare – has already solved an analogous version of it.

How Healthcare Learned to See

For most of the twentieth century, clinical medicine, like supply chain compliance today, relied on structured snapshots: defensible, auditable, and disconnected from what was actually happening in real time. The randomized controlled trial was the gold standard. It was rigorous, defensible, and slow. It showed what a treatment could do under ideal conditions. It could not show what it was doing, in real time, for real patients.

The transformation came with real-world evidence (RWE): data drawn from actual patients in actual settings, continuously collected, independently validated, and integrated into decision-making in near-real-time. Through the FDA's Sentinel System, which monitors post-market safety signals across more than 100 million patient lives, label changes driven by real-world safety data now occur routinely, surfacing risks that pre-market trials, by design, could not detect. The U.S. FDA formalized this shift in 2018, incorporating RWE into regulatory approval and post-market surveillance. The direction of travel is not in doubt: institutional decision-making is moving toward continuous, independently sourced, real-world data. The question is why supply chain governance has not followed. The analogy is instructive precisely because it identifies what governance without those enabling conditions still requires: a board culture willing to act on imperfect but timely information, rather than waiting for a perfect evidence base that does not yet exist.

The healthcare transition required three enabling conditions: a regulatory mandate that made real-world data collection obligatory; shared infrastructure in the form of electronic health records and patient registries; and institutional willingness to treat inconvenient data as more valuable than clean data. Supply chains do not yet have the first two. Every board has the third – and it is the only precondition entirely within its control. It is also, in our experience, the hardest to meet. The instinct to receive a clean report as good news runs deep. Recognizing it as a potential failure signal requires a board culture that most governance frameworks do not cultivate.

This was not merely a technical upgrade. It was a transition from noise to signal, from lagging indicators to leading ones, and one that required simultaneous changes in systems, culture, and board expectations.

> *Supply chain governance remains trapped in the lagging phase. Boards review what conditions looked like at the last audit, as reported by the party being assessed. This is not a calibration problem. It is the governance problem.*

Healthcare made this transition because the cost of inadequate information became undeniable. The question for every board is whether it is willing to demand the same standard before that cost arrives.

The Evidence Boards Are Actually Receiving

The latest comprehensive global estimates, drawn from a joint 2022 report by the ILO, Walk Free, and the International Organization for Migration, put forced labor at approximately 27.6 million people worldwide. A significant share are embedded in commercial supply chains that boards believe, based on current reporting, to be compliant.

That belief rests on three mechanisms: periodic audits, supplier self-reporting, and compliance certifications. These have driven real improvements in supply chain standards and remain necessary as a baseline. They are not, however, sufficient to surface the risks that matter most.

> *Boards are not receiving intelligence. They are receiving confirmation that the right questions were asked under the right conditions, and that the answers provided were acceptable.*

Audits are episodic and rarely unannounced. In vertically integrated supply chains, a scheduled audit triggers coordination across multiple tiers — by the time the auditor arrives, conditions reflect preparation, not operation. Self-reporting is structurally biased toward favorable disclosure. Certifications capture conditions at a moment in time, not under sustained commercial pressure, which is precisely when risk develops.

The most significant risks are not in the reports. They are in the divergence between what reports say and what independent, worker-level data reveals. That divergence is not an anomaly to be explained. It is the signal the board should be asking for.

If reports are consistently clean, that is not assurance. It is evidence that the system is not always designed to find risk. Independent research has documented forced labor indicators persisting in facilities that previously passed compliance reviews. In the analysis of Verité, an independent labor standards organization, of the Malaysian glove sector ("Employer Pays Verification", 2022), every company that had reimbursed workers for excessive recruitment fees had previously maintained a formal "Zero Fees to Workers" policy and passed audit reviews, yet the underlying indicators of forced labor continued. The audits were not fraudulent. They were structurally incapable of detecting what they were not designed to look for.

What Real-World Risk Governance Requires

The shift healthcare made maps directly onto supply chain oversight. It is simple in concept and demanding in practice.

From periodic to continuous evidence

Board oversight cannot rely on annual audits. It requires ongoing signals: worker voice mechanisms, real-time operational indicators such as overtime patterns and turnover rates, and independent intelligence streams. The issue is not whether such mechanisms exist somewhere in the organization. It is whether they are connected to an escalation pathway that reaches the board in time to act. Technology is accelerating this transition. Satellite-based monitoring of supplier facilities, AI-driven risk scoring across procurement networks, and supply chain traceability programs are reducing the cost of continuous evidence collection. Boards should be asking what these tools reveal, how reliable the outputs are, and what level of investment is required to use them properly.

From institutional to triangulated evidence

No single data source is sufficient. Oversight must triangulate across worker feedback, operational metrics, and external verification. Where they diverge, risk is present – and that divergence must reach the board, not be resolved by management before it does.

Worker-Driven Social Responsibility programs invert the conventional audit relationship by positioning workers themselves as the primary compliance data source. For example, the Fair Food Program, operating across tomato farms in the United States, combines binding buyer agreements, a 24-hour complaint hotline, independent investigative monitors, and direct commercial consequences for violations, creating a system in which risk surfaces continuously, not only when an auditor is present. The principle applies broadly: oversight functions only when at least one data source is independent of the party being assessed, and when those closest to the risk have both a channel and an incentive to use it.

Analogous models operate in adjacent sectors. In Thai seafood, Mars Petcare implemented third-party grievance hotlines covering more than 50,000 workers across its supplier network, tied directly to procurement relationships. In garments, the Bangladesh Accord created binding arbitration pathways for worker grievances, routing risk intelligence through channels independent of the supplier. Different structures, same principle – one now being applied in more complex supply chains. In pharmaceutical supply chains, regulators have already mandated this transition. The U.S. Drug Supply Chain Security Act now requires real-time electronic traceability of prescription drugs from manufacturer to dispenser, with distributors issuing compliance scorecards to suppliers and threatening deactivation for those that fail to meet continuous monitoring benchmarks. The direction is clear: oversight is moving from periodic inspection toward continuous accountability. This is particularly important for supply chains feeding directly into healthcare systems, where board-level evidence failures carry operational consequences measured not only in reputational damage and liability exposure, but in patient outcomes.

From process compliance to outcome measurement

Boards that approve policies but cannot demonstrate improving conditions are governing process, not outcomes. The question is not whether frameworks exist, but whether they are working.

In practice, this means worker-voice systems, independent continuous monitoring, and enterprise risk frameworks built around leading indicators rather than annual compliance snapshots. None of this requires dismantling existing structures. It requires supplementing them with evidence designed to find risk, and a board willing to ask why clean reports keep arriving from high-risk supply chains.

The Fiduciary Dimension

Directors have a legal duty of oversight to maintain systems capable of detecting material risk. The Delaware Supreme Court's Caremark line of cases, and the subsequent Marchand v. Barnhill decision, make clear that passive reliance on reported information is insufficient where mission-critical risks are involved. This thinking is also reflected, in different forms, across most other major corporate governance frameworks.

> *Receiving clean audit reports is not a defense if the oversight system was structurally incapable of detecting the underlying issue. Courts have focused not on whether boards received reports, but on whether those reports were capable of surfacing what they purported to cover.*

The insurance market is drawing the same conclusion. Swiss Re Institute's SONAR research program, for example, specifically flagged supply chain forced labor as a primary D&O exposure, noting that growing regulatory pressure requires “more detailed appraisal of the issue of modern slavery in underwriting, notably with respect to D&O liability covers.” A 2025 MSCI analysis found that most of the 20 largest global banks and insurers now integrate human rights criteria into their lending and underwriting due diligence. The direction mirrors what happened with cybersecurity: insurers moved from confirming that policies existed to verifying whether the underlying oversight systems could actually detect what they claimed to cover. The same shift is now underway for supply chain governance. Boards that cannot demonstrate evidence-based oversight will face not only legal exposure but insurance pricing consequences.

The cost of building systems capable of detecting supply chain risk is real. It is also consistently lower than the cost of the alternative: regulatory enforcement, procurement disruption, litigation, and the reputational consequences of a supply chain failure that clean reports failed to prevent. The collective action objection – why invest in superior oversight when competitors do not – is real but diminishing. Regulation is increasingly removing the choice: rebuttable presumptions, mandatory due diligence obligations, and evolving disclosure expectations mean that minimum compliance is no longer a stable position. And information asymmetry

compounds over time: a board with continuous supply chain visibility does not start from zero when a crisis arrives. Its less-prepared counterparts do.

Regulation compounds this exposure. The EU's Corporate Sustainability Due Diligence Directive, even as recently narrowed, codifies an enforceable obligation to identify and address supply chain risk. The narrowing may appear to reduce pressure on boards. It does not, however, reduce the underlying risk. Companies that retreat to minimum compliance will arrive at the next supply chain crisis with the same clean reports, the same certifications, and the same exposure. The U.S. Uyghur Forced Labor Prevention Act operates on a rebuttable presumption that goods linked to Xinjiang are made with forced labor, shifting the burden of proof to companies before goods can enter the U.S. market. The U.K. Modern Slavery Act, although originally framed around disclosure, has also raised expectations that boards understand and explain how modern slavery risks are identified, escalated, and addressed across their operations and supply chains. These are not merely disclosure regimes. They require demonstrable, evidence-based oversight.

In sectors such as healthcare, the consequences are immediate and the personal liability exposure for directors is direct. U.S. import enforcement actions, including CBP forced labor orders and FDA import controls, can disrupt procurement with little notice. When those actions involve a board that received clean compliance reports on a supplier later found to be non-compliant, the Caremark question answers itself.

The distance between supplier conditions and board accountability is shrinking.

What Boards Should Demand

Boards should direct the following questions to management and risk committees, treating the answers as a diagnostic of oversight effectiveness rather than a compliance exercise.

1. The Divergence Signal: When was the last time we received a meaningful discrepancy between audit findings and independently sourced worker-level data? If the answer is never, the question is not whether conditions are genuinely clean. It is whether the oversight system is structurally capable of detecting a problem if one existed.

2. Data Origin: What proportion of the information in our current compliance report is independently sourced rather than self-reported by the party being assessed?

3. The Lag Factor: Are we relying on annual snapshots, or do we have near-real-time indicators for mission-critical suppliers?

4. Mission-Criticality: Which suppliers represent existential operational risk, and do we have continuous, independent visibility into each of them?

5. Outcome vs. Protocol: Can we demonstrate that conditions in our supply chain are improving, or only that policies have been approved?

A practical starting point: direct management, before the next risk committee meeting, to map what proportion of the current compliance report is independently sourced versus self-reported. That single exercise will tell a board more about the quality of its oversight than the report itself.

The Standard Boards Should Hold Themselves To

Supply chains will always carry risk. The greater risk is an oversight system that mistakes the absence of bad news for the presence of reliable information.

The boards that lead on this issue will not be distinguished by the sophistication of their frameworks alone, but by whether their systems were designed to surface uncomfortable truths early enough to act.

The difference between oversight and exposure is not intent. It is design.

About the Authors

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