

Clean Clothes Campaign

International Office



Date: 18-06-2025

Dear Vikram Pandita and David Reay,

We are writing collectively as representatives of FTZ & GSEU, Labour behind the Label, War on Want and the Clean Clothes Campaign International Office, in response to your letter dated 27th May 2025. We reserve the right to share this letter and any further replies from you publicly.

Alleged lack of profitability of the NEXT Manufacturing Ltd (NML) Katunayake facility

You claim that there is ‘no realistic prospect of NML returning to profit... without the closure of [the] Katunayake factory’. We are also aware that in your application to the Ministry of Labour you cite an ‘inability [to] secure profitable orders’ as the reason for closure, as ‘orders have moved to cheaper manufacturing destinations’.

We totally refute this argument that orders at the Katunayake factory were beyond NEXT’s control and therefore the ‘loss’ of orders contributed to a decline in profitability of the factory. As direct owners of the factory, it is completely at NML (and by extension NEXT)’s discretion how many orders are placed with your own facilities, and yet you have chosen instead to source your products from dozens of other factories in Sri Lanka not owned by your company. By choosing to put orders through other facilities where workers are paid less and experience more exploitative conditions, you are choosing to ensure the ‘profit’ made by your own Katunayake factory is curtailed.

You yourself admit that ‘A’ grade operator Katunayake we pay a basic wage of Rs 45,000 and Anamaduwa region we pay only Rs 40,050’. We know, as do you, that this difference in wages is due to the commendable efforts of the FTZ & GSEU union presence in the Katunayake factory, which helped to secure better pay, benefits and conditions for workers, including a significant decline in

Improving working conditions in the global garment industry



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instances of sexual harassment.

The additional LKR 4,950 that employees in the Katunayake factory receive is equivalent to **just shy of £10**. It is unfathomable that a company boasting over £1 billion in profits is so brazenly claiming that they cannot afford to pay their workers an additional £10 per month. Your customers aren't stupid, and neither are we. **If there is enough profit to 'reward' your CEO with £3,560,000 in bonuses, there is enough to pay your essential workers, without whom you wouldn't have a product to sell, £10 more.**

To further put this in context, Sri Lanka's garment industry workers are paid some of the lowest minimum wages in the South and South East Asia region. Although you may have been paying workers more than the legal minimum wage, which currently stands at just LKR 21,000 per month (equivalent to ~£51), this figure is estimated to be just a meagre **15-20% of the real living wage** (calculated by the Asia Floor Wage Alliance to be LKR 158,353 for 2024). Sri Lanka has had long periods of wage stagnation coupled with hyperinflation of almost 50%, causing a severe decline in the living standards of low-wage workers in the country. Conversely, for employers and buyers, the dollar value of wages in Sri Lanka has declined, meaning Sri Lanka continues to be an inexpensive sourcing destination compared to other countries in the region. **Therefore, the real question here is why NEXT is paying such low prices for your products that workers' pay falls far below a living wage in the non-unionised factories, and the one unionised facility is 'unprofitable'.**

Union consultation

As has been repeatedly pointed out in the [Sri Lankan press](#) over the past weeks, by closing the Katunayake factory without the due notice, processes of consultation, or approval required under Section 2 of the Termination of Employment of Workmen (Special Provisions) Act, NEXT is in blatant violation of Sri Lankan labour law and the OECD Tripartite Declaration on Multinational Enterprises. In your letter you state that "as a matter of courtesy", Anton Marcus (FTZ & GSEU General Secretary) was informed before the decision was

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communicated to employees. With a Collective Bargaining Agreement in place, **union consultation is not “an act of courtesy” but an obligation.** Failure to acknowledge this is an act of bad faith that undermines our collective trust in NEXT to honour your commitments.

We are also deeply concerned that workers have reported being pressured to sign letters of resignation *after* the closure was announced as they were falsely informed that doing so would ensure their compensation package. This type of coercive practice goes entirely against the universal principles of the UN Guiding Principles and ILO standards that NEXT should be committed to upholding and negates the validity of these resignation letters as they were signed under duress.

NEXT’s commitment to Freedom of Association

NEXT promotes its membership of the Ethical Trading Initiative and a member of the Action, Collaboration, Transformation (ACT) global framework agreement, which both contain commitments to Freedom of Association. In your 2024-2025 [Modern Slavery Statement](#) (p. 6 & 10) you list commitment to Freedom of Association as one of your core values of your Code of Practice and state that “expand[ing] our work on Freedom of Association and how it links to other human rights risks, talking directly with key suppliers to establish best practice on the topic” is one of your main priorities for this year. In addition, in your 2024-2025 [CSR report](#), you list “the more challenging supply chain issues such as Freedom of Association or migrant workers’ rights awareness” as topics that you want to find opportunities to collaborate on “looking ahead”. Yet, at this moment - **when you have chosen to terminate the employment of over 1,400 primarily female migrant workers at your own unionised facility** - your actions are in complete contradiction of your supposed ambitions.

Considering all of the above, it is clear to us that your actions amount **to union busting**. NEXT’s claim that this closure decision was made in the name of profitability dissipates in the shadow of your recently reported record profit forecast. It is abundantly clear that this decision has been made with the aim of

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detering unionisation and refusing to fairly compensate your employees for their work, sending a message to others that joining a union and demanding better pay and working conditions could risk your job and livelihood.

We demand that NEXT immediately reverse the factory closure decision, consider any resignation letters null and void, and reinstate all employees with the same conditions and union recognition.

Yours sincerely,

On behalf of CCC International Office



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