

Cipla sued by former CEO Jerome Smith

By [Tamar Kahn](#)

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A multi-million-rand pay dispute triggered the suspension and resignation last year of Cipla Medpro's chief executive, Jerome Smith, according to papers he filed in the Labour Court.

His suspension scotched talks with Cipla India and put the company's share price under pressure. Talks have since resumed and Cipla India made an offer for 51% of Cipla Medpro in November, worth an estimated R1.95bn.

Smith, Cipla Medpro's founder, was suspended by its board last August and resigned in October, days before a disciplinary hearing against him was due to start.

At the time he indicated that he intended to sue - a threat now made good in an overall claim of R30m for unlawful repudiation of his contract before it was due to end (R18.5m) and unpaid bonuses (R11.6m).

After Smith quit, Cipla Medpro's board said charges against him included allegations that he had paid himself R3.6m in unauthorised bonuses, taken undeclared interest-free loans from the company and fiddled his expenses.

Smith's court papers describe a protracted fight with the board over whether bonuses paid to him and former chief financial officer Chris Aucamp for 2010 and 2011 were appropriately authorised.

There was nothing in his contract requiring board approval for these bonuses and he had conceded to the board that they were unauthorised only because he had been threatened with disciplinary action, he said in the court papers.

On 22 June last year, Smith sent a letter to the board saying he and Aucamp agreed to repay the amounts, apologise for their actions and be issued with a warning. The board then signed off on the company's interim financial statements without qualifying them.

Smith questioned the company's corporate governance practices in his affidavit, saying: "No mention was made of the payment of executive remuneration, which was allegedly unauthorised, nor do the financial statements reflect the fact that the board required the chief executive and (chief financial officer) to pay back their bonuses."

He "paid back" R3.6m to Cipla Medpro, according to the papers.

Cipla Medpro said earlier this week it would oppose his claim.

Source: *Business Day* via I-Net Bridge

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