

REPORT ON PROCEEDINGS BEFORE

STANDING COMMITTEE ON LAW AND JUSTICE

2020 REVIEW OF THE WORKERS COMPENSATION SCHEME

CORRECTED

At Macquarie Room, Parliament House, Sydney, on Tuesday 1 December 2020

The Committee met at 2:45.

PRESENT

The Hon. Wes Fang (Chair)

The Hon. Anthony D'Adam

The Hon. Greg Donnelly (Deputy Chair)

The Hon. Scott Farlow

The Hon. Trevor Khan

The Hon. Daniel Mookhey

The Hon. Rod Roberts

Mr David Shoebridge

The CHAIR: Welcome to the seventh hearing of the 2020 review into the workers compensation scheme. Before I commence, I would like to acknowledge the Gadigal people, who are the traditional custodians of this land. I would like to pay respects to the Elders past, present and emerging of the Eora nation, and extend that respect to other Aboriginals present. Today we will be hearing from Mr Michael Carapiet, the former chair of the icare Board. Before we commence, I would like to make some brief comments about the procedures for today's hearing. Today's hearing is being broadcast live via the Parliament's website. A transcript of today's hearing will be placed on the Committee's website when it becomes available. In accordance with broadcasting guidelines, media representatives are reminded that they must take responsibility for what they publish about the Committee's proceedings. While parliamentary privilege applies to giving evidence to the Committee, it does not apply to what witnesses may say outside of the hearing.

Committee hearings are not intended to provide a forum for people to make adverse reflections about others under the protection of parliamentary privilege. In that regard, it is important that witnesses focus on the issues raised by the inquiry terms of reference and avoid naming individuals unnecessarily. All witnesses have a right to procedural fairness according to the procedural fairness resolution adopted by the House in 2018. If witnesses are unable to answer a question today and want more time to respond, they can take a question on notice. Written answers to questions on notice are to be provided within 21 days. If a witness wishes to hand up documents, they should do so through the Committee staff. In terms of the audibility of the hearing today, I remind both Committee members and witnesses to speak into the microphones. For those with hearing difficulties who are present in the room today, please note that the room is fitted with induction loops compatible with hearing aid systems that have telecoil receivers. Finally, could everyone please turn their mobile phones to silent for the duration of the hearing.

MICHAEL CARAPIET, Former Chair, icare Board, on former oath

The CHAIR: Mr Carapiet, I acknowledge that this is your second appearance and we thank you for making the time to appear today. Would you like to start by making a short opening statement? If so, please keep it to no more than a couple of minutes.

Mr CARAPIET: I would. Thank you, Chair and Committee members. I would like to start by saying that I recognise that the work of this Committee has been important in driving a better workers compensation scheme in New South Wales. I served for around eight and a half years as chair of icare and its predecessor organisations. As I have mentioned to the Committee a few months ago, I believe that on balance icare should be proud of the contribution that the icare team has made and continues to make to create a fairer and better workers compensation system in New South Wales for injured workers and employers alike. Following my retirement from executive life in 2011, I was approached to join various Federal and New South Wales public service organisations by both sides of politics. I saw it as a way to contribute to a country that accepted my parents as immigrants in 1975 and has given an opportunity to my family.

I was appointed deputy chair of the Export Finance and Insurance Corporation by the Federal Labor Government and then to the board of the Clean Energy Finance Corporation, also by Federal Labor. I was appointed by the Coalition Government to the board of Infrastructure Australia. I have served the New South Wales Government in a number of roles post-retirement, including as chair of icare and its predecessor organisations. A key reason why so many of the people who worked at Safety, Return to Work and Support and currently at icare do so is to improve the lives of injured people.

These staff members are on the front line every day, dealing with people when they are at their most vulnerable and trying to do as much as they can to care for our more unfortunate fellow citizens. I urge the Committee to continue to recognise this contribution. As I have previously said to this Committee, transformations in any business in any industry of the size and complexity that was and still is being undertaken at icare is going to present its challenges. Once again, let me be clear: icare did have and continues to face several challenges, as do all workers compensation schemes around the country. The icare board did act when issues arose and has encouraged the icare executive to continue to work hard to improve the overall workers compensation system. I fully expect that this will continue to be the case.

The issues that have been raised publicly have been dealt with or are being addressed currently. Various authorities, such as ICAC, have been involved and reviews and investigations did occur. Several reviews, including the independent review of icare and the State insurance Act chaired by the Hon. Robert MacDougall, QC, are ongoing now. While I understand and accept the Committee's interest in the past, as this is important in providing learnings for any continuous improvement program, I encourage the Committee to remain focussed on all that is occurring at icare now and what could be possible in the future. Injured workers will always need care and support. Businesses will always need guidance and assistance. These things are constant, as is your role in assisting icare to improve the workers compensation system in New South Wales for injured workers and business. Thank you.

The CHAIR: Thank you very much, Mr Carapiet. We will now open with questions. I believe the Hon. Daniel Mookhey is prepared to start.

The Hon. DANIEL MOOKHEY: Thank you, Chair. Mr Carapiet, thank you again for your return appearance. It did occur to me that the last time you were here we did not ask how you were remunerated as chair of icare and what your remuneration was as chair of icare. What was your remuneration as chair of icare?

Mr CARAPIET: It was \$200,000.

The Hon. DANIEL MOOKHEY: Per year?

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: And so, you chaired icare from its inception in 2015 until your resignation, which took place in September of this year?

Mr CARAPIET: I did.

The Hon. DANIEL MOOKHEY: So, over that period of time, \$800,000 with icare in remuneration?

Mr CARAPIET: It was more. Over 2015 to 2020 is more than—and then it was Safety, Return to Work and Support before that.

The Hon. DANIEL MOOKHEY: I was just about ask you about that. So, with Safety, Return to Work and Support, how were you remunerated then?

Mr CARAPIET: I was also remunerated. I cannot recollect the exact amount, but it was not as high as the \$200,000 at icare.

The Hon. DANIEL MOOKHEY: Okay. So, when you went from being the chair of Safety, Return to Work and Support to icare—

Mr CARAPIET: It changed.

The Hon. DANIEL MOOKHEY: —it changed. It increased.

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: But you cannot remember the quantum of increase?

Mr CARAPIET: Sorry, Mr Mookhey. That was in 2015.

The Hon. DANIEL MOOKHEY: I do not blame you for not recalling. It is just that we checked the annual reports of the time and it is just not clear. It is not published there. I was just asking if possible, on notice, can you see if you can find out, so we can understand what that was?

Mr CARAPIET: I can, sure.

The Hon. DANIEL MOOKHEY: Of course, your remuneration is set by the Treasurer at icare?

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: And so, your remuneration was approved by him in each of the years, which was a requirement, was it not? Or was it at the point of appointment?

Mr CARAPIET: I think it was just set once and it never changed.

Mr DAVID SHOEBRIDGE: The remuneration you got—were there attendance fees and other payments made to you from icare?

Mr CARAPIET: No. It was just a fixed amount and that was paid quarterly.

Mr DAVID SHOEBRIDGE: Mr Carapiet, you have got a number of current roles with the New South Wales Government. Is that right?

Mr CARAPIET: None anymore.

Mr DAVID SHOEBRIDGE: You had a role in relation to a recent review. Was it of Crown land?

The Hon. TREVOR KHAN: I will take a point of order at this stage. The point of order is: We are doing an inquiring into the workers compensation scheme in New South Wales. I think there has to be some discipline applied in terms of these meandering inquiries. It is the same point I made in the previous hearing. There are important matters to be considered, but those should be the matters that are considered, rather than these lines.

The CHAIR: I am going to uphold that point of order. Please narrow your focus only to issues with icare.

Mr DAVID SHOEBRIDGE: Mr Carapiet, you have got a bundle of documents in front of you—

The Hon. DANIEL MOOKHEY: Before you do, Mr Shoebridge, can I just ask one more?

Mr DAVID SHOEBRIDGE: Yes.

The Hon. DANIEL MOOKHEY: This one is related. Earlier this year, were you not appointed to the Treasurer's business reference group?

Mr CARAPIET: It was a Treasury advisory group, yes.

The Hon. DANIEL MOOKHEY: You were appointed to that by the Treasurer?

Mr CARAPIET: It is an appointment that happened in 2018 or 2019.

The Hon. DANIEL MOOKHEY: Were you appointed in your capacity as icare chair or were you appointed in a different capacity?

Mr CARAPIET: I cannot remember. He asked me to help him and I did.

The Hon. DANIEL MOOKHEY: So, in your letter of appointment did it specify that you were there as the icare chair, or were you there in general?

Mr CARAPIET: I can check. It is a non-remunerated position.

The Hon. DANIEL MOOKHEY: I am not suggesting that there was anything untoward. It is more a case of whether you were representing icare in that forum or not.

Mr CARAPIET: No, I was not representing icare. There are a number of businesspeople that Treasury have on that committee, and I was one.

The Hon. DANIEL MOOKHEY: I was just wondering if it was related to icare. Mr Carapiet, there is a set of documents there. Would you mind turning to document number 2? Do you see that this is a press release that you issued on 4 August 2020—the day after the Committee on Law and Justice hearing that led to Mr Nagle's resignation? Do you recall this press release?

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: In the third paragraph, you said:

"While we are saddened to see him go we understand his decision and wish him best in his future endeavours," ...

Do you see that?

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: Why were you saddened to see him go?

Mr CARAPIET: The circumstances in which he left were not ideal, I think. It was not the best circumstances for him to leave.

The Hon. DANIEL MOOKHEY: That caused some sadness to you and the board? Is that the implication?

Mr CARAPIET: Yes. This is a note from icare, so it is the board. It is for the whole organisation.

The Hon. DANIEL MOOKHEY: The document states:

"While we are saddened to see him go we understand his decision and wish him best in his future endeavours," Mr Carapiet said.

I am presuming it was you.

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: By this time, the board had already lost confidence in Mr Nagle, had it not?

Mr CARAPIET: Some of the board members had lost more confidence than others, yes.

The Hon. DANIEL MOOKHEY: But the board had actually lost confidence in him.

Mr CARAPIET: Yes, I think there was a need for a change. Mr Nagle, I think, was keen to continue but I think some of the directors—and I think a majority of directors—wanted a change.

The Hon. DANIEL MOOKHEY: A week later, when you appeared before this Committee and you expressed a view that certainly implied that there was an injustice done to Mr Nagle, that was disingenuous, was it not?

Mr CARAPIET: I beg your pardon?

The Hon. DANIEL MOOKHEY: When you came before this Committee a few days after this press release and you put a view, pretty forcefully, that you felt that Mr Nagle was a victim of injustice—or at least that was the implication that you were projecting—

Mr CARAPIET: I did not use those words. Those are your words.

The Hon. DANIEL MOOKHEY: When you said in this press release that you were sad to see him go, you were saddened because he was exposed and the board's failures were exposed, were you not?

The CHAIR: Mr Mookhey, I think that—

Mr CARAPIET: Those are your words, Mr Mookhey. Those are not mine. I never said anything like that.

The Hon. DANIEL MOOKHEY: I am putting it to you as a proposition, Mr Carapiet. You can agree or disagree.

Mr CARAPIET: No, you are not. Those are your views, Mr Mookhey. They are not mine.

The Hon. DANIEL MOOKHEY: Can you turn to page 27 of document 3? Document 3 is a report that was prepared by Challis & Company.

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: Do you recall this report?

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: This was a report that you commissioned, I presume?

Mr CARAPIET: The board commissioned it.

The Hon. DANIEL MOOKHEY: It was only given to the board, was it not?

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: No management saw it?

Mr CARAPIET: I think management saw a shorter version, or a shorter version was discussed with management. They certainly did not see this report.

The Hon. DANIEL MOOKHEY: Do you see line 49 on page 27?

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: It states:

The relationship between the CEO and rest of the Board has become very challenged, driven by inter alia:

- (a) the Board unfavourably comparing his style to his predecessor's more charismatic, gregarious and visionary presence;
- (b) the Organisation's ongoing operational problems;
- (c) John's failure to hold to account at least one weak direct report;
- (d) the fractious relationship with the Regulator and John's inability to improve it, and
- (e) the Board's discovering that John's wife has been contracting to the Organisation without the Board's knowledge; his then failure to take accountability, and his continuing to feel aggrieved by the penalty.

I will ask you again: By this point, the whole of the board had lost confidence in Mr Nagle, had it not?

Mr CARAPIET: Mr Mookhey, CEO transitions are a very important and delicate thing for boards. Remember, at this time we are in the middle of a global pandemic. Most of the office is working from home. The board has to run the workers compensation system, with tens of thousands of injured workers, lifetime care, dust diseases and a whole heap of schemes in the most difficult time that any of us have probably run businesses. People are expressing a view when there is probably no more stressful time that they have faced in their entire business careers. Some of these views might be at the more conservative and extreme end. But at the end of the day, getting rid of CEOs is a very serious issue. You just cannot do it willy-nilly. You have to have a proper transition plan. You have to have a proper succession plan. So, yes, you might not have the greatest confidence in the guy and you may want a change. But it is just not practical, in the worst time that one can imagine, to just go getting rid of people when you do not necessarily have a better option.

The Hon. DANIEL MOOKHEY: This report was given to you on 29 May 2020, was it not?

Mr CARAPIET: I assume that is right.

The Hon. DANIEL MOOKHEY: That is what it says on the first page. That was two months before the *Four Corners* program and before this inquiry reached its peak.

The Hon. TREVOR KHAN: Is that a question?

The Hon. DANIEL MOOKHEY: It is about to be a question. Two months prior, the board had already lost confidence; yet in the week after the *Four Corners* program your organisation is out saying, "There's nothing to see here. We have full support of the leader. We have full support of our CEO." When you are issuing those press releases and when the organisation you chaired was issuing those press releases, they were disingenuous as well, were they not, Mr Carapiet? By this time you had already lost confidence in the board and you were embarrassed by what had happened under your watch. Is that not the case?

The Hon. TREVOR KHAN: Point of order: That was about four questions interlaced with a whole degree of assumptions and arguments. It is unfair on this witness to load a question in that way. The member is entitled to ask questions, but one at a time.

The CHAIR: The other point I will make, Mr Mookhey, is that what you did throughout that question—I will use the term "question"—is put to Mr Carapiet statements of commentary from the icare board and you have referenced media releases and media statements. If you could, please present those to Mr Carapiet so that he is able to see what was said and to respond to those, as opposed to just putting them as a verbal proposition.

Mr DAVID SHOEBRIDGE: I wish to respond to that briefly. As Chair, your job is to ensure that the flow of questioning is fair and that procedural fairness is upheld. It is not your job to require members to put particular documents in front of witnesses or to go beyond that. This will be much quicker if we are able get on with questioning without excessive interruptions from the Chair. Other members present are aware of procedural fairness.

The CHAIR: I accept your point; however, I am responding to the procedural fairness resolution. We have a requirement to put questions to the witness that are responsive and provide detail. On numerous occasions during the question, the Hon. Daniel Mookhey said that the icare board had said X, Y or Z. Mr Carapiet has no ability to reference that.

The Hon. DANIEL MOOKHEY: Chair, if Mr Carapiet wishes to disagree with me, he can disagree with me. He is more than capable.

The CHAIR: I uphold the point of order taken by the Hon. Trevor Khan.

The Hon. DANIEL MOOKHEY: I am happy to repeat the question.

The CHAIR: Please do so in smaller sections so that Mr Carapiet can respond.

The Hon. DANIEL MOOKHEY: I will ask a general question and he can provide a general answer, if that helps. In the wake of the *Four Corners* report, when the organisation was maintaining a public view that all was good and well, at that point the board had already lost confidence in Mr Nagle. Is that not correct?

Mr CARAPIET: Mr Mookhey, when you are running an organisation the size of icare and you have a CEO in place, it is your responsibility to be supportive.

The Hon. DANIEL MOOKHEY: Sorry, Mr Carapiet, you need to use the microphone.

Mr CARAPIET: When you are chairing an organisation the size of icare, doing the important work that icare does, and you have a CEO in place, it is the responsibility of the board to be supportive of the management team. If you are not supportive of the management team, you have to change the management team, and that was not appropriate at the time. In the absence of that, you have to be supportive.

The Hon. DANIEL MOOKHEY: Could you please turn to page 14 of this document, Mr Carapiet?

Mr CARAPIET: This is the Challis report?

The Hon. DANIEL MOOKHEY: Yes. Paragraph 17 states:

The NEDs' [non-executive directors'] view of the current CEO as an effective role-model was significantly dented by his poor handling of his personal conflict of interest and his continuing grievance with the penalty meted out by the Board. While some NEDs see this as a bygone, others may never fully regain their trust in John.

Do you see that?

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: Do you agree with me that that is a pretty searing indictment of a person you were maintaining as the CEO of the organisation?

Mr CARAPIET: That is a view that some board members have. But at the end of the day, the decision to retain John was unanimous and everybody who has been here has said that.

The Hon. DANIEL MOOKHEY: Can you turn to page 2, line 7? Challis & Company recommended to you—or at least to the board—that:

Concerns about the CEO's performance mean that the Board should instigate two parallel activities:

- (a) commencing a confidential scan of appropriate external CEO successors, and
- (b) completing of the assessment and development of (agreed) internal successors.

Do you see that?

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: By that point in time, you were intending to replace Mr Nagle, were you not?

Mr CARAPIET: No, we were not. Mr Nagle's contract was expiring—I think it was May 21. I was planning to step down and I thought it would be better for the incoming chair and whoever the new board would be to appoint the new CEO. That would be more normal.

The Hon. DANIEL MOOKHEY: So your intention was for Mr Nagle to continue in his role until, what? Next year?

Mr CARAPIET: Well, unless the new chair, whenever the new chair started, decided they wanted to do it sooner but that would be a call for the new chair and the new board.

The Hon. DANIEL MOOKHEY: And that was despite multiple warnings in this report and other reports that said that, fundamentally, Mr Nagle was not capable of doing the job. You were intending to keep him for another year.

Mr CARAPIET: Mr Nagle was operating fine during a very difficult period, as we all know—probably the most difficult period in anybody's executive career.

Mr DAVID SHOEBRIDGE: Mr Carapiet, you say Mr Nagle was doing fine, but if I could invite you to turn to page 33 of that same document, these are the words of your non-executive directors that I will take you to in their report of 29 May this year. At page 33 under the table, it states: "Non-executive directors: There is often a half-glass full approach in reporting to the Board with too much emphasis on the story rather than objective measures of performance. This was appropriate in the first two years of the bill phase but it is in my view not appropriate, given icare now fully owns operational delivery." Was that a discussion among the non-executive directors that you were getting this glass half-full approach?

Mr CARAPIET: This report was discussed by the board and, as I have said on numerous occasions previously, Mr Shoebridge, decisions of the board have always been unanimous. These are confidential views that board members expressed and they are free to express it at any time.

Mr DAVID SHOEBRIDGE: What this shows is a board that were treated like mushrooms by the executive—given glossy PowerPoints, half-baked reports, all spin. That is what this shows, does it not, Mr Carapiet?

Mr CARAPIET: No, it does not. That is your view. That is someone's opinion. You have board members who have been here. It is not my view. It is someone's view. You can ask them. It is not my view.

Mr DAVID SHOEBRIDGE: Well, I will read it. It is your fellow board members' views.

Mr CARAPIET: Someone expressed a view—

Mr DAVID SHOEBRIDGE: Let me finish, Mr Carapiet. Do you see the fourth dot point?

The CHAIR: Mr Shoebridge, please maintain—

Mr DAVID SHOEBRIDGE: Well, I won't interrupt Mr Carapiet if he has to return the politeness.

The CHAIR: —a level of dignity when referring to the witnesses, please.

Mr DAVID SHOEBRIDGE: Mr Carapiet, the fourth dot point: "Board papers have too much spin, including through the use of PowerPoint, which often hides the key messages and can give a glass half-full perspective on what is otherwise bad news." That was the culture of the management, was it not? Misleading the board—

Mr CARAPIET: It was not the culture.

Mr DAVID SHOEBRIDGE: Misleading the board with spin.

The CHAIR: Mr Shoebridge, you paused for a response. Mr Carapiet started to—

The Hon. TREVOR KHAN: Well, actually, I think you did, David.

Mr DAVID SHOEBRIDGE: Well, you have to let me finish the question, Mr Carapiet.

Mr CARAPIET: Yes. Keep going.

Mr DAVID SHOEBRIDGE: That was the message. That is what you were getting from the executive—"glass half-full spin". It is black and white.

Mr CARAPIET: There are a lot of glass half-full comments by the non-executive directors [NEDs]. My recollection is we did discuss it and we did raise it with Mr Nagle and we did raise it with management, right? However, the view of the board was that for the current time, until the transition of the board was undertaken, we wanted the least possible disruption to the operations of the business as we could have. Now it has not necessarily turned out that way but that was the intention—to have an orderly, if at all possible, succession of the board and then an orderly succession of the CEO.

Mr DAVID SHOEBRIDGE: Mr Carapiet, you know that the non-executive directors on the board thought that they were not getting appropriate information from the executive and I will give you just another example from that same page: "If you worked your way back in the papers you would find mention of some of the major problems but they should have been raised earlier with flashing lights. An example is return to work." You were not being briefed by the executive and you never held the chief executive officer to account, did you, Mr Carapiet?

The Hon. TREVOR KHAN: Well, that is two questions.

Mr DAVID SHOEBRIDGE: Indeed, and they go together. You would not being briefed—

The Hon. TREVOR KHAN: Point of order: Again it goes to the question that Mr Carapiet is here. He is here for a considerable period of time. He is entitled to the fairness of you putting a question at a time, not rolling them up together.

Mr DAVID SHOEBRIDGE: Well, it is a question which has the—

The CHAIR: I uphold the point of order.

Mr DAVID SHOEBRIDGE: Mr Carapiet, you never held the executive to account for the failings that are identified on page 33 of this report, did you?

Mr CARAPIET: That—

Mr DAVID SHOEBRIDGE: You did not do your job as chair of the board.

Mr CARAPIET: That is incorrect, Mr Shoebridge.

The Hon. DANIEL MOOKHEY: Page 12, Mr Carapiet. Can you turn to page 12?

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: If you go to the third dot point, it is sadly not numbered. This is another quote that comes from a non-executive director: "From a governance perspective we were caught unawares on a range of operational issues. We hired people who could do the transformational stuff but not enough people who could run the operations." Do you agree with that?

Mr CARAPIET: These are individual views, Mr Mookhey. These are not my views.

The Hon. DANIEL MOOKHEY: My question was: Do you agree with that?

The CHAIR: Mr Mookhey—

The Hon. DANIEL MOOKHEY: My question was to Mr Carapiet.

Mr CARAPIET: I do not.

The CHAIR: Mr Carapiet needs to be able to finish his response once he has been asked the question.

The Hon. DANIEL MOOKHEY: Yes. Thank you, Chair. This problem of management misleading you and you failing to hold them to account was systemic, was it not?

Mr CARAPIET: That is incorrect.

The Hon. DANIEL MOOKHEY: There were multiple instances that are reported in this report in which your own directors are complaining about how they are being treated by their executives, are there not?

Mr CARAPIET: They are perfectly competent and experienced directors who could have raised all these issues directly with management and they often did. Management were held to account.

The Hon. DANIEL MOOKHEY: Can we turn to the next page, page 13? It is your executives now speaking: "The Board is seeing the result"—this is on the second dot point after the heading "Executives" on page 13. "The Board is seeing the result not of poor practices but a culture where good practices were not important. There was no focus on the detailed work which now needs to be done." That is the executives talking about the

processes to which they were being held. They are saying there are no good processes. That is absolutely accurate, was it not, Mr Carapiet?

Mr CARAPIET: There is one executive who has made that comment.

The Hon. DANIEL MOOKHEY: Who was that?

Mr CARAPIET: I do not know.

The Hon. DANIEL MOOKHEY: So your view is therefore it should be ignored and we should not take this as being indicative of the views.

Mr CARAPIET: No.

The Hon. DANIEL MOOKHEY: Are you saying we should reject the report?

Mr CARAPIET: There were a whole heap of recommendations that the report made that are being followed up and had been followed up.

The Hon. DANIEL MOOKHEY: That was not my question. My question to you was, "Should we reject this report?"

Mr CARAPIET: Most certainly not. I think it is a very detailed and thorough report.

The CHAIR: Mr Shoebridge is indicating that he wanted to continue.

Mr DAVID SHOEBRIDGE: Mr Carapiet, when you say it is a thorough and detailed report, do you agree with the observation on page 22 where it says: "While the Board feels it has a sound approach to executive succession there is deep concern that there is no strong internal CEO successor who is ready now or likely to be ready within the next 18 months." Do you agree that that is a fair and accurate reflection of the status of the organisation in May of this year?

The Hon. DANIEL MOOKHEY: Page 22, paragraph 33.

Mr CARAPIET: I am not sure that there was deep concern. That was the view of Challis. There was concern because the board did—I think we got Spencer Stuart to do a senior assessment across I think the top six—there were six or eight, or whoever on the ELT—

The Hon. TREVOR KHAN: Sorry, on the?

Mr CARAPIET: Executive leadership team, sorry, Mr Khan.

The Hon. TREVOR KHAN: That is all right.

Mr CARAPIET: —the executive leadership team on a one by one basis and it pointed out that we had to augment some of the team skills in order for one of them to be an internal candidate for CEO in an ideal world. But often these things are not ideal so you have got to do your succession planning with the best that you have got on staff at the time. So the current search, I think, that is going on, Mr Shoebridge, would be looking, I would imagine, at internal and external candidates.

Mr DAVID SHOEBRIDGE: Well, this observation would suggest that at least the board felt in May that in the absence of a strong internal CEO successor, the focus should be on external recruitment. Do you accept that that is what you took from that?

Mr CARAPIET: There was certainly the view that we had to look externally as well as giving internal executives the opportunity to apply, if they wished.

Mr DAVID SHOEBRIDGE: Well, I will just be clear: This report—and you can agree or disagree—at paragraph 33 says, "Most non-executive directors are concerned that the overall capability of the executive is weaker than what is required to deliver the strategy and to regain the Board's confidence." Is that an accurate reflection of the board's view in May?

Mr CARAPIET: Particularly in the workers compensation area.

Mr DAVID SHOEBRIDGE: You see, Mr Carapiet, you had this report before you in May, but you gave none of this evidence before the Committee when you appeared in this Committee months later. You did not tell us that there were concerns about the weakness in the executive. Why not?

Mr CARAPIET: Because I do not believe that the current team there is a weak team. They need a strong, good leader. The technical competence in their respective areas of competence is good. You have got a good chief financial officer. You have got a good actuary. You have got a good chairperson. You have got

human resources [HR]. The challenge really was in the workers compensation area, where I thought we could have handled that a lot better.

The Hon. DANIEL MOOKHEY: That is the core purpose of the organisation.

The Hon. TREVOR KHAN: Wait, wait, wait.

The Hon. DANIEL MOOKHEY: I am. He finished.

The Hon. TREVOR KHAN: No, no. I will take the point of order. This gets back onto the double-teaming that we saw. Mr Shoebridge was asking the line of questions and should be entitled to, rather than teaming up.

The CHAIR: I will uphold the point of order, as well.

Mr DAVID SHOEBRIDGE: Had you finished, Mr Carapiet?

Mr CARAPIET: I have actually forgotten the question, sorry.

The Hon. TREVOR KHAN: That happens to me all the time.

Mr DAVID SHOEBRIDGE: Well, you were saying that it is your view that there was a good executive team.

Mr CARAPIET: There is a good executive team now, but that is my view and my view is now 10 weeks old and getting older by the day.

Mr DAVID SHOEBRIDGE: And indeed, Mr Carapiet, your view is contrary to the majority of non-executive directors, who are reported in this report as saying that they are concerned that the overall capability of the executive is weaker than what is required to deliver the strategy and to regain the board's confidence. You are at odds with the majority of your own team.

Mr CARAPIET: I do not believe that this is a correct characterisation of the view. You will have the chair and you will have the head of the audit committee here tomorrow. You will have a whole heap of the management team here tomorrow. You should ask them.

Mr DAVID SHOEBRIDGE: Mr Carapiet, this was produced to the board while you were the board.

Mr CARAPIET: This was in the middle of a global pandemic. People are nervous. People are very worried because they have not really operated in this sort of environment previously, so some of these comments are made in an environment of some stress. And so, you have got to have a proper perspective on this. The board, over all of this, is a good board. The board has come out of this—in fact, the opening line of this report, or the summary, says that the board is the saving grace of this organisation. That is the comment.

Mr DAVID SHOEBRIDGE: Mr Carapiet, you have taken the "glass half full" attitude of icare—

Mr CARAPIET: No. I am saying you have to read the whole report.

Mr DAVID SHOEBRIDGE: —to an unnatural extension, have you not?

The CHAIR: Order! Order!

Mr CARAPIET: Sorry, no. You have to read the whole report, Mr Shoebridge.

The CHAIR: Order, Mr Carapiet! What we are doing now is descending into farce and I will not allow that to occur. I want the members of the Committee to put questions to Mr Carapiet. Mr Carapiet, please answer the questions. I accept that you will be able to object to some of the propositions put to you, but we are going to keep this very civil and we are going to keep it very factual. Mr Shoebridge, have you concluded your line of questioning?

Mr DAVID SHOEBRIDGE: I have one more question on this. Mr Carapiet, when this was presented to the board, the board accepted it. Nowhere in the minutes is there any issue taken with a single element in this report. It was accepted by the board, was it not?

Mr CARAPIET: This was presented by Challis & Company. Their overall view was that there are challenges that the board have to address over the coming months.

Mr DAVID SHOEBRIDGE: Did you not read this, Mr Carapiet? That is not a fair summary of this report.

The CHAIR: Order, Mr Shoebridge! Order!

Mr DAVID SHOEBRIDGE: That is a ridiculous proposition.

The CHAIR: Mr Shoebridge, we just had a conversation about descending into farce.

Mr DAVID SHOEBRIDGE: And you are doing that, Mr Chair.

The Hon. GREG DONNELLY: Point of order: That comment directed at the Chair—

Mr DAVID SHOEBRIDGE: Well, I withdraw it, but yelling over me when I am putting a question to a witness—yelling from the chair is unproductive. I was in the middle of a perfectly valid question and you yelled at me from the chair. It is not productive.

The CHAIR: Mr Shoebridge, you were not putting a question.

Mr DAVID SHOEBRIDGE: I was putting a question.

The CHAIR: You were putting a proposition that was your own. I have allowed it for a level of time because you are putting propositions around your views of the report to Mr Carapiet and Mr Carapiet is more than capable of responding in kind. What you were doing just then was disorderly and I would ask you to cease it. Mr Mookhey, you have the call.

The Hon. DANIEL MOOKHEY: Thank you, Chair. Mr Carapiet, just a last question on this report. Can you go to page 26? Do you see on the page that says "NEDs"—under that heading, the fifth dot point? It says:

"Michael has a very strong relationship with the Treasurer, and it works well for icare. He needs to keep leveraging that relationship."

Do you see that?

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: Can you turn to page 29, paragraph 54? Challis & Company say:

icare has immeasurably benefited from the Chair's strong access to, relationship with and mutual respect for the Treasurer and his Secretary.

Do you see that?

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: Can you turn to page 30?

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: The second dot point under "NEDs":

"Michael has provided us with a degree of air-cover and clear air from the Government."

Do you see that?

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: Do you agree with all three propositions?

Mr CARAPIET: It is really important to remember that the Act requires icare to report to the Treasurer and, as the chair, I thought it was my job—on the spectrum of relationship between bad and good, good would be better.

The Hon. DANIEL MOOKHEY: You have a strong relationship with the Treasurer, do you not?

Mr CARAPIET: I have a good, respectful, professional relationship with all of the parties, including the chair of the State Insurance Regulatory Authority [SIRA], the head of Treasury, who was on the board of icare previously—

The Hon. DANIEL MOOKHEY: Sorry, Mr Carapiet. I would like to bring you back to my question.

Mr CARAPIET: —and the Treasurer.

The Hon. DANIEL MOOKHEY: Thank you.

Mr CARAPIET: A good, professional, courteous relationship.

The CHAIR: Mr Carapiet is responding to your question.

The Hon. DANIEL MOOKHEY: Yes, but I am allowed to bring him back to the question, Chair.

The CHAIR: I know, but he is responding to the question that you asked him.

The Hon. DANIEL MOOKHEY: Thank you, Chair. You regularly kept the Treasurer apprised of icare's goings-on, did you not?

Mr CARAPIET: There were regular briefings that icare had with his office.

The Hon. DANIEL MOOKHEY: I asked you, Mr Carapiet. You have this habit of answering about the organisation when I ask you specific questions—

Mr CARAPIET: I can answer how I like, Mr Mookhey.

The CHAIR: Mr Mookhey—

The Hon. DANIEL MOOKHEY: Mr Carapiet, I can ask you a question and you can be responsive to the question, please.

The CHAIR: Mr Mookhey, order! Order! I am going to address this before we continue on. Mr Carapiet, we are going to bring the temperature down a little bit here. Mr Mookhey, you ask a question and Mr Carapiet responds. Now, Mr Carapiet can respond in whatever way he wants. When he is finished responding, then you are able to either—

The Hon. DANIEL MOOKHEY: Thank you, Chair. Chair, can I just ask you to ask the witness to be directly responsive to a question?

The CHAIR: The witness needs to be allowed to finish his response. If he is not responding in a way that you find is what you are seeking with your question, then I will address it at that time, but allow the witness to finish his answer before we interrupt.

The Hon. DANIEL MOOKHEY: Thank you, Chair. Mr Carapiet, the question was not about the organisation. It was about you. You regularly kept the Treasurer up to speed with matters to do with icare, did you not?

Mr CARAPIET: I used to attend the briefings to his office. He was sometimes at the briefings and sometimes he was not. He was not at every single briefing.

The Hon. DANIEL MOOKHEY: And the Treasurer relied on you as being the person who was meant to keep him informed as to the goings-on, did he not?

Mr CARAPIET: The Treasurer relied on his office to inform him. Mr Nagle, myself and Mr Peterson—it was every six weeks, every month or every three months. There was a periodic period that we would go to see his office. Sometimes he would be at the meetings and sometimes he would not.

The Hon. DANIEL MOOKHEY: And you were very careful to make sure that the Treasurer was being briefed as to the goings-on at icare, were you not?

Mr CARAPIET: That the Treasurer's office was being briefed, yes. And sometimes he was there, so he would be directly briefed.

Mr DAVID SHOEBRIDGE: Mr Carapiet, the board did not have the skills it needed to deal with workers compensation and it still does not. Is that not the case?

Mr CARAPIET: Where is that view from, Mr Shoebridge?

Mr DAVID SHOEBRIDGE: Can you answer my question? The board did not have the skills it needed to deal with workers compensation and, indeed, it still does not. That is the case, is it not?

Mr CARAPIET: Mr Shoebridge, if I can remind the entire Committee that the first chief executive of the workers compensation system in New South Wales—prior to Mr Bhatia or Mr Nagle, there was not one chief executive who had any experience. The board—

Mr DAVID SHOEBRIDGE: My question was about the board.

Mr CARAPIET: Let me get to it, okay? Not one chief executive from the prior four had any workers compensation experience, any insurance experience or any financial services experience. Here you had an organisation—one of the largest insurance companies—being run without any executive experience with insurance or financial services. A number of the board members who were appointed to the icare board—including Mr Lennon, who had been on the workers compensation board for many years previously, and including myself, Mr Gupta, Mr Bell and Ms Carr—had been on the Safety, Return to Work and Support and the workers compensation board previously since 2012. Mr Plumb was the chair of the NSW Self Insurance Corporation

[SICorp]. When icare came together, Mr Pratt was—I think his title was public service commissioner and he was instrumental in terms of the transformation of Service NSW. So when icare was formed, you had a board who had previous workers compensation experience, having done approximately three years of Safety, Return to Work and Support and some, like Mr Lennon, many, many more years.

Mr DAVID SHOEBRIDGE: You are talking about other board experience, are you not?

Mr CARAPIET: No, I am talking about Safety, Return to Work and Support—

Mr DAVID SHOEBRIDGE: The board.

Mr CARAPIET: —which was part of the workers compensation system.

Mr DAVID SHOEBRIDGE: Mr Carapiet, in May of this year your own executives were telling you:

We don't have anyone [on the Board] with proper insurance skills or a strong medical background.

That is your own executive team. Are they wrong?

Mr CARAPIET: Yes, they are, because one of the people who was appointed to the board when icare started was Ms Lisa McIntyre. She is on the HCF board, which is a medical insurer. She was also the—

Mr DAVID SHOEBRIDGE: She has not had executive experience in insurance.

The CHAIR: Order! Mr Shoebridge—

Mr DAVID SHOEBRIDGE: You do not understand the difference between board and executive experience.

The CHAIR: Mr Shoebridge, when I am talking I ask you to please cease. I do not want to have to escalate this. You asked a very broad question as your first question. Mr Carapiet was providing a very broad answer.

Mr CARAPIET: I had actually—

The CHAIR: He was providing that answer when you then interrupted him, seeking to make a comment. When you ask very broad questions, the witness is entitled to give very broad answers. If you want to ask focused questions, I would expect the witness to provide focused answers.

Mr DAVID SHOEBRIDGE: Mr Carapiet, your own non-executive team—members of your own board—have said:

We need a stronger working understanding of the workers compensation system. It has happened, from time to time, that a NED has made a suggestion that the legislation won't allow. It is a very complex and difficult system.

They are telling you in this May report that they have not got the experience needed to understand their job as board members. Do you think they are wrong?

Mr CARAPIET: There was a board transition underway. I think the board has done a very good job, given all of the challenges that the board faced. That is my view. Everything can be improved; things are always subject to improvement. If someone joined the board who was a capable non-executive director who also had workers compensation experience, that would be a good thing. There are plenty of opportunities right now for the Treasurer to make that appointment.

The CHAIR: Mr Carapiet, Mr Shoebridge has been responding to what I asked him to do. He asked a more focused question. I ask you, when a focused question is asked, to provide a focused response.

Mr CARAPIET: The question was that there is a comment by one executive, who may or may not still be in the organisation.

Mr DAVID SHOEBRIDGE: Mr Carapiet, I cannot let that lie. I could take you to quote after quote after quote from that report of your executive team members saying they are worried about the lack of insurance experience, they are worried about the lack of claims experience and they are worried about the lack of workers compensation experience. I put to you, Mr Carapiet, that your summary is just not an accurate summary of that document.

Mr CARAPIET: Mr Shoebridge, this is your opinion. My opinion is that at the board there are a range of skills required. There are views that the executive have—some executive members who may not be there at this point in time—that the board could be augmented. That was the process that was underway. As you would have seen, there were a number of directors coming up for review. It is up to the Treasurer for the new stage of the organisation.

Mr DAVID SHOEBRIDGE: Chair, given the time I think we will move on.

The Hon. DANIEL MOOKHEY: Mr Carapiet, while you were chair of icare there was a declaration of gifts policy in place, was there not?

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: Under that declaration of gifts policy, the CEO was required to declare gifts and benefits received, correct?

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: That declaration was made by way of a form. Is that correct?

Mr CARAPIET: I assume.

The Hon. DANIEL MOOKHEY: Do you assume, or do you know?

Mr CARAPIET: I do not know. I think there was a form. It is not something that I ever did myself, but there would have been a form.

The Hon. DANIEL MOOKHEY: We will just unpack that answer. You yourself never made a declaration about any gift or benefit you received?

Mr CARAPIET: I never received a gift or benefit.

The Hon. DANIEL MOOKHEY: Okay, but you do not know whether a form was required?

Mr CARAPIET: I think so. But usually in gifts and benefits policy, either you do an email or there is a form to fill out. There is usually something like that.

The Hon. DANIEL MOOKHEY: Under the declaration of gifts policy that applied at the time, the CEO was required to have his people leader approve or at least acknowledge the declaration. Is that correct?

Mr CARAPIET: That is generally the case.

The Hon. DANIEL MOOKHEY: For the purposes of the CEO, the person who is the people leader—who has to acknowledge the receipt of the gift—was the chair, was it not?

Mr CARAPIET: Generally, yes.

The Hon. DANIEL MOOKHEY: Do you recall either of your CEOs while you were chair making any declarations to you?

Mr CARAPIET: There would have been over time. The specific instance—I heard some of Mr Bhatia's witness testimony when he was here, and that came up.

The Hon. DANIEL MOOKHEY: It did come up.

Mr CARAPIET: Yes.

The Hon. TREVOR KHAN: At some length.

The Hon. DANIEL MOOKHEY: So you recall receiving them from time to time. Is that correct?

Mr CARAPIET: I do not really recall receiving them, but I heard him say that.

The Hon. DANIEL MOOKHEY: My question is whether you recall receiving them.

Mr CARAPIET: No, I do not.

Mr DAVID SHOEBRIDGE: You do not recall even one particular moment where you received a conflict of interest declaration from Mr Bhatia?

The Hon. TREVOR KHAN: No, we are talking about gift registers.

Mr CARAPIET: Conflict of interest or gift policy?

Mr DAVID SHOEBRIDGE: Sorry, where you received a declaration about a gift register from Mr Bhatia or about Mr Bhatia. You do not recall even one day where it pops up?

Mr CARAPIET: He was here and I saw him say that his executive assistant lodged a whole heap of forms after he left. You said that she lodged a whole heap of forms after he left. I thought that was the testimony he gave or the points that you put to him.

Mr DAVID SHOEBRIDGE: You know the purpose of elevating it to you as the chair was that you could check about the conflict of interest and review whether there was a conflict of interest and whether it was appropriate to receive the gift? You know that was your role, do you not?

Mr CARAPIET: Yes, it actually depends on the gift. I do not recollect Mr Bhatia ever receiving any material gift from anybody.

Mr DAVID SHOEBRIDGE: Do you recollect ever doing your job as the people leader, assessing whether there was a conflict of interest and going through that process that you were required to do under the policy? Do you recall doing that, Mr Carapiet, on even one day?

Mr CARAPIET: If I was given forms to sign, I would have looked at them. But I cannot recollect ever looking at a form. When was this form signed, Mr Shoebridge?

Mr DAVID SHOEBRIDGE: It might be helpful if I ask you to turn to document number 4.

Mr CARAPIET: Sure.

Mr DAVID SHOEBRIDGE: Do you see a one-page table there?

Mr CARAPIET: Yes.

Mr DAVID SHOEBRIDGE: Do you see that these are all gifts received by Mr Vivek Bhatia? Do you see on the left-hand side it has his role as a CEO and then the nature of each gift, the organisation that provided the gift, the date the gifts were offered, whether they were accepted or declined and any additional information?

Mr CARAPIET: Yes.

Mr DAVID SHOEBRIDGE: Do you see in the second-last column who the people leader is? This is the person who signs the form.

Mr CARAPIET: Mr Shoebridge, this is—

Mr DAVID SHOEBRIDGE: Mr Carapiet, do you see in the second-last column that it has your name every time?

Mr CARAPIET: Yes, I know. I am just looking at this. If I may, Chair—

The CHAIR: Yes.

Mr CARAPIET: —just to put it in context, this is a \$38 billion organisation with expenses annually of about \$4 billion to \$5 billion. That is the annual expense. There is not one item here that I can see that has an individual item for Mr Bhatia—for himself—too much over \$100. I think the threshold for declaration is \$100, so a lot of these he did not even have to disclose. So if you are asking me if I checked whether someone—

The Hon. DANIEL MOOKHEY: Just as a matter of fact, there is no actual threshold for declaration. All gifts have to be disclosed. That was his policy, not mine.

The Hon. TREVOR KHAN: No, you cannot do that.

Mr CARAPIET: You are saying was it relevant and should I have checked these individual—should I have checked he had a cup of coffee or a sandwich? It is just not practical for you to ask me that question. It is just not practical.

Mr DAVID SHOEBRIDGE: Mr Carapiet, could I suggest to you—

Mr CARAPIET: And if I have not done it, I have not done it.

Mr DAVID SHOEBRIDGE: Perhaps if you let me ask the question, it will be quicker, Mr Carapiet. Could I suggest to you the fact that it is a \$32 billion public enterprise—

Mr CARAPIET: Thirty-eight.

Mr DAVID SHOEBRIDGE: —is a reason to have an even higher level of scrutiny and an even higher concern about propriety?

Mr CARAPIET: Mr Shoebridge—

Mr DAVID SHOEBRIDGE: It is not a reason to have less.

The CHAIR: Mr Shoebridge, what is the question?

Mr DAVID SHOEBRIDGE: It is a reason to have a higher concern, Mr Carapiet. What do you say?

Mr CARAPIET: There is a test of materiality in all of this. That is nonsense.

The Hon. DANIEL MOOKHEY: Mr Carapiet, it says here that you signed all of these forms on 18 April 2018. Do you recollect signing 42 forms about a gift disclosure from Mr Vivek Bhatia?

Mr CARAPIET: I do not recollect signing it, but I can see that I would have signed it. But none of these—

Mr DAVID SHOEBRIDGE: Well, Mr Carapiet—

Mr CARAPIET: Like there is \$50, a hundred dollars?

The CHAIR: Order!

The Hon. DANIEL MOOKHEY: I am just asking—

Mr CARAPIET: It's just—

The CHAIR: Order! I know. I am just saying we—

The Hon. DANIEL MOOKHEY: I asked him—

The CHAIR: Order!

The Hon. DANIEL MOOKHEY: Mr Carapiet—

The CHAIR: No, no. I am just saying—

The Hon. DANIEL MOOKHEY: Mr Carapiet—I would like to ask my next question.

The CHAIR: My concern is that Hansard is not able to record this, so we are going to have one person speak at a time. Mr Carapiet, have you finished your response before I ask—

Mr CARAPIET: I cannot recollect the day that I signed it, but none of these items are material and warrant the amount of time we are spending on it, in my view.

The CHAIR: Thank you, Mr Carapiet.

The Hon. DANIEL MOOKHEY: I accept that you—

The CHAIR: Thank you, Mr Carapiet. I will allow Mr Mookhey to continue the questioning—

The Hon. DANIEL MOOKHEY: Thank you.

The CHAIR: —because it is the Opposition's time.

The Hon. DANIEL MOOKHEY: Mr Bhatia made these declarations years after he received the gifts.

The Hon. TREVOR KHAN: No, you cannot—

The Hon. DANIEL MOOKHEY: Well, I will put them to you, if you want me to put the dates of the Capgemini ones.

The Hon. TREVOR KHAN: No, no, no.

The CHAIR: Order! I will hear Mr—

The Hon. TREVOR KHAN: Point of order: You have got to put a basic proposition. You have a document, which has a whole series of things on it. You are making an assertion of something that you have not got a basis for.

The Hon. DANIEL MOOKHEY: So? Can you see the column that says, "Date offered", Mr Carapiet?

Mr CARAPIET: Yes, I can.

The Hon. DANIEL MOOKHEY: Do you see how there is a discrepancy in the date offered and the date you approved it that in some instances is three years?

Mr CARAPIET: It is \$25. There is \$50. It is just—

The Hon. DANIEL MOOKHEY: Mr Carapiet, you are open to say you disagree but I am asking you do you see that there is that time difference?

Mr CARAPIET: There is a time difference but it is irrelevant to me.

The Hon. DANIEL MOOKHEY: I accept that you feel it is not relevant, Mr Carapiet.

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: But I am still going to put to you the question. Do you not think that a CEO failing to disclose his gifts in accordance with the policy at the time was a cause for further inquiry that you should have made?

Mr CARAPIET: None of these. There is a handful—a handful—that are probably in excess of the threshold—a handful. He has voluntarily made these disclosures.

The Hon. DANIEL MOOKHEY: No, not voluntary, sir. Sorry: Under your policy, he is meant to disclose. There is no voluntary aspect of this disclosure.

Mr CARAPIET: It is. It is.

The CHAIR: Order!

The Hon. DANIEL MOOKHEY: Mr Carapiet, have you read the policy that you were applying at the time?

The CHAIR: Order!

Mr CARAPIET: I understand that the threshold is a hundred dollars.

The Hon. DANIEL MOOKHEY: No. There is no threshold of any gifts under the policy that you approved. Do you not think it is worrying, that you are sitting now in front of an inquiry, having no knowledge of the policy you were meant to apply?

The CHAIR: Mr Mookhey, you need to—

Mr CARAPIET: Mr Mookhey, it is \$38 billion, \$5 billion, and you are worried about a hundred dollars in 2015?

The Hon. DANIEL MOOKHEY: So, your attitude—

The CHAIR: Order! Order! Order! There is no chance that Hansard can record this.

Mr CARAPIET: I mean, double—

The CHAIR: We are all going to speak in a civil tone. We are not going to let the temperature rise in this room. We are going to put questions to the witness and allow the witness to respond. That is not what was occurring just then. Mr Mookhey, you have the call to put a question to Mr Carapiet.

The Hon. DANIEL MOOKHEY: I will put my last question on this and then I will hand over to Mr Shoebridge. Mr Carapiet, are you worried that you are currently appearing to be utterly dismissive of any public interest concern with the expenditure of public money in the cavalier way in which you are handling this issue now.

The CHAIR: Order! I am going to disallow that question. Mr Mookhey, you cannot insert words like "cavalier" into the question. I will allow you to put a question to Mr Carapiet but you are not going to put propositions into the question.

The Hon. DANIEL MOOKHEY: Okay. Mr Carapiet, are you worried that you are creating a perception that icare was indifferent to whether or not it was following its own policies?

Mr CARAPIET: I do not wish to create that perception at all. I am raising an objection to your line of questioning to ask me about \$50 and \$100 expense items and how much I should have delved into them in 2018 about something that happened in 2015, 2016 and 2017 for relatively small amounts of money in the overall scheme of things. Now, if I have not done it, I have not done it. I do not have an explanation for that, but it is not a material item in my view. Others may have a different view. I accept that.

Mr DAVID SHOEBRIDGE: Mr Carapiet, are you aware that there are repeated dinners, hampers, breakfasts, gifts of wine from companies that were looking to tender with and tendering with icare that went to the CEO of icare? Were you aware that they were gifts coming from those companies?

Mr CARAPIET: These are declared.

Mr DAVID SHOEBRIDGE: Mr Carapiet, the evidence before us is they were declared years after the tenders were granted, years after the contracts were made.

The Hon. TREVOR KHAN: Well, just put it in the context. It was actually after Mr Bhatia had finished.

Mr DAVID SHOEBRIDGE: Correct.

Mr CARAPIET: After he had left, right? Well—

The CHAIR: Again, Hansard cannot record this. Mr Khan was speaking. Allow Mr Khan to finish.

The Hon. TREVOR KHAN: No, no, no, no. I just do not think you—the proposition is: Are you aware that Mr Bhatia was receiving these gifts at the time that he was receiving it? That is the question, is it not?

Mr DAVID SHOEBRIDGE: Let me get there, if you do not mind.

The Hon. TREVOR KHAN: Well, you are a long way off it at the moment.

Mr DAVID SHOEBRIDGE: Mr Carapiet, these gifts were received at the time these companies were looking to tender and contract with icare. You were not told about it until years later and then you signed off on it without looking at it. Can you not see the problem?

Mr CARAPIET: Mr Shoebridge, these are relatively minor amounts of money. If your view is that this somehow influenced decision-making, I reject that.

Mr DAVID SHOEBRIDGE: You never looked at it. You did not even know until I put it to you then that the gifts came from companies that were looking to tender and contract with icare.

Mr CARAPIET: I would have looked—

The CHAIR: Mr Shoebridge—

Mr DAVID SHOEBRIDGE: They were giving gifts to the CEO.

The CHAIR: Mr Shoebridge—

Mr DAVID SHOEBRIDGE: You did not even look at it, Mr Carapiet.

The CHAIR: Mr Shoebridge, you are—

Mr CARAPIET: That is your point of view.

The CHAIR: Order! Again, Mr Shoebridge, you have to put a question to the witness. What you are doing now is you are providing a long narrative and then going, "Is that right?"

The Hon. TREVOR KHAN: Well, actually, he did not really do that.

Mr DAVID SHOEBRIDGE: That is a question.

The Hon. TREVOR KHAN: You did not actually do that, David.

Mr DAVID SHOEBRIDGE: Mr Carapiet—

The CHAIR: We just have to allow a question and then allow the witness to respond, please.

Mr DAVID SHOEBRIDGE: Mr Carapiet, you had a job here, as chair of the board, to at least look into whether there was a conflict of interest and you never did it, and you breached the policy, and your answer is, well, you did not think it was worthwhile looking.

The CHAIR: What is the question, Mr Shoebridge?

Mr DAVID SHOEBRIDGE: And is it your answer you did not think it was worthwhile looking into it because you did not think the gifts were big enough. Is that your answer?

Mr CARAPIET: That is—

The Hon. TREVOR KHAN: Point of order—

The CHAIR: I will hear the point of order.

The Hon. TREVOR KHAN: Please, Wes. There is a long lead in, which makes a series of accusations. The problem is not cured by then tacking onto the end a small question. I just think this is getting out of hand, with respect, Chair, by essentially there being a three-way conversation, including yourself. I think if everyone just slowed down and asked questions, it was get a lot easier than accusations. That is my point of order: You have to ask questions, not make accusations.

The CHAIR: I uphold that point of order.

Mr DAVID SHOEBRIDGE: Mr Carapiet, your job was to check for conflicts of interest and you did not even check to see if these companies were contracting or looking to contract with icare. That is true, is it not?

Mr CARAPIET: That is not true.

Mr DAVID SHOEBRIDGE: Well, did you know that the gifts were from companies that were contracting with and looking to contract with icare at the time that they were received?

Mr CARAPIET: Mr Shoebridge, I cannot recollect when I signed this document what I did or did not do.

Mr DAVID SHOEBRIDGE: Okay.

Mr CARAPIET: This was two and a bit years ago for relatively small amounts of money.

Mr DAVID SHOEBRIDGE: Well, can I suggest to you it is difficult to believe that you do not recall signing 42 declarations on the same day?

The CHAIR: Mr Shoebridge, that is a proposition.

Mr DAVID SHOEBRIDGE: Can I suggest to you it is difficult to accept that evidence?

The Hon. ANTHONY D'ADAM: He is allowed to put propositions.

The CHAIR: Yes, that is fine but he needs to put a question.

Mr DAVID SHOEBRIDGE: It is difficult to accept that evidence when you signed 42 declarations about gifts that were received, especially when this was occurring at a time when these issues were before ICAC, Mr Carapiet.

Mr CARAPIET: I have answered the question, Mr Shoebridge.

Mr DAVID SHOEBRIDGE: It is difficult to accept your evidence.

Mr CARAPIET: You might not like the answer, but that is my answer.

The Hon. DANIEL MOOKHEY: Icare is a public finance corporation, is it not?

Mr CARAPIET: I think so, yes.

The Hon. DANIEL MOOKHEY: Okay. You are aware that public finance corporations have to file annual reports?

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: As the chair, it is your responsibility to sign off on the annual report, is it not?

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: And it is your responsibility to ensure that the annual report is accurate?

Mr CARAPIET: Well, that is a—yes, in an overall context, but the signing off of annual reports for large financial services organisations go through a very detailed and thorough process. So you have got representation letters, you have got a whole heap of forms that management signs, that various committees sign, that independent experts sign and in the end it comes to the board. The board approves it and after the board approves it, I sign it because that is the role of the chair.

The Hon. DANIEL MOOKHEY: Well, that is helpful but there is a slight discrepancy between the process you described there between a private sector organisation and a public organisation. Do you accept there is a distinction in what you have to do?

Mr CARAPIET: Sorry, can you—

The Hon. DANIEL MOOKHEY: Yes, I am happy to. You just explained the scenario for a publicly listed company, I presume, but you are aware that under the Treasury guidelines on annual reports that the chair is meant to sign the report and therefore vouch for its accuracy?

Mr CARAPIET: Look, it is a huge step to say that I have to check every single detail there.

The Hon. DANIEL MOOKHEY: No. Look, I am just asking you are you aware.

The CHAIR: No, no, Mr Mookhey. He is answering the question and he is entitled to answer the question in the way that he wants to.

The Hon. DANIEL MOOKHEY: Sure, sure.

Mr CARAPIET: We have—just to give you the process—and, actually, Mr Plumb will be here tomorrow so you can ask him because he is the chair of the risk and audit committee. There is a whole management process that has to go first.

The Hon. DANIEL MOOKHEY: Yes, I am aware.

Mr CARAPIET: And then you have the independent experts, whether they be actuaries, whether they be advisers to the Audit Office—a whole heap of people—who then provide their reports. It then gets looked at by the risk and audit committee. It then gets looked at by the whole board and at the end of that, I signed it.

The Hon. DANIEL MOOKHEY: Okay, I appreciate that. Mr Carapiet, can you turn to document number nine?

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: Do you see that this is a request for approval to you, to authorise the travel of Mr John Nagle, Mr Rob Craig, Mr Tim Abbott and Ms Tara Moore to the Guidewire Connections conference in Las Vegas?

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: Can you turn to document number 10?

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: This is the email you sent in response. Do you see that?

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: Do you see that you have a one-word response: "approved"?

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: That is correct? Do you see that?

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: Can you turn to document number 11?

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: Can you turn to the third row?

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: Only two officials were listed as travelling to that conference.

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: We have explored in some depth the reasons why Mr Nagle's name was omitted. Do you—

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: Equally, Mr Craig's name was omitted. Do you see that?

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: Can you explain why they were not?

Mr CARAPIET: I think it was an oversight. It was an error.

The Hon. DANIEL MOOKHEY: Right. Did you not pick that up in any of the processes that you described earlier?

Mr CARAPIET: Obviously not.

The Hon. DANIEL MOOKHEY: Are you aware that five months prior to this conference attendance Mr Craig and Mr Nagle appeared in a promotional video for the Guidewire product?

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: And how did you become aware of that?

Mr CARAPIET: It was raised, I think—in more recent times, it has been raised publicly here. So, I heard about it here, but I vaguely recollect that I heard about it at the time, as well.

The Hon. DANIEL MOOKHEY: Do you recollect either of those executives seeking your approval to appear in that video?

Mr CARAPIET: Not really, no.

The Hon. DANIEL MOOKHEY: Was that ever discussed at any board meeting?

Mr CARAPIET: I do not know if it was minuted or not, but I do not recollect.

The Hon. DANIEL MOOKHEY: Well, it was not minuted.

Mr CARAPIET: Well then, I do not recollect it.

The Hon. DANIEL MOOKHEY: Sure. But your evidence is that they never sought your approval?

Mr CARAPIET: I cannot remember them seeking it. They may have, but I cannot remember them seeking it. This is a long time ago.

The Hon. DANIEL MOOKHEY: It is not that long ago, Mr Carapiet. It is only two years.

Mr CARAPIET: Yes, two years!

The Hon. DANIEL MOOKHEY: Yes. It is not that long ago.

Mr DAVID SHOEBRIDGE: It is not.

The Hon. DANIEL MOOKHEY: Mr Carapiet, do you understand that the process of your executives endorsing a commercial product creates a perception that they might have other motives, particularly when they then get flown to Vegas a couple of months later?

Mr CARAPIET: This has been addressed previously. I think Mr Ferguson at the last session said that this is not unusual.

The Hon. DANIEL MOOKHEY: Well, I do not believe he said it was not unusual. I think that was Mr Nagle's evidence. But I am asking you as the chair—as the person who is responsible for ensuring that policies are being met—whether or not you see that there was a problem with that?

Mr CARAPIET: Not really.

The Hon. DANIEL MOOKHEY: You do not think there was a problem?

Mr CARAPIET: No.

The Hon. DANIEL MOOKHEY: And you maintain the view that that is a type of behaviour which is fine foricare executives to engage in?

Mr CARAPIET: I would rather they did not do it, but they did it. It is not—

Mr DAVID SHOEBRIDGE: Sorry, Mr Carapiet—

The Hon. TREVOR KHAN: Wait, wait, wait. Please.

Mr DAVID SHOEBRIDGE: I thought he had finished.

The Hon. DANIEL MOOKHEY: I did actually say to Mr Shoebridge that he is able to go.

The Hon. TREVOR KHAN: Well, I think there has to be—particularly when you are changing from one to the other, there has to be enough time to actually take a breath, rather than jumping in. That is my point of order. I accept this is free flowing, but there is a limit.

The CHAIR: I do accept that. Look, I understand that the two members have obviously got coordinated questions, but just allowing Mr Carapiet to know who they are focusing on—

The Hon. DANIEL MOOKHEY: Sure, Mr Chair. Over to you, Mr Shoebridge.

Mr DAVID SHOEBRIDGE: Thank you, Mr Mookhey.

The CHAIR: Also, I will just raise that you have got about 10 minutes left to run.

Mr DAVID SHOEBRIDGE: Mr Carapiet, Mr Nagle's travel, ground transportation and accommodation costs for a trip to Las Vegas was met by Guidewire. You are aware of that?

Mr CARAPIET: Yes.

Mr DAVID SHOEBRIDGE: He then goes on a promotional video for Guidewire after that. You are aware of that?

Mr CARAPIET: Yes.

Mr DAVID SHOEBRIDGE: And you say you would rather he had not.

Mr CARAPIET: Look, it is not an unusual event, in my business judgement. Given the subsequent profile that this has got, I would rather it had not have happened. Then I would not have to answer all these questions about it.

Mr DAVID SHOEBRIDGE: So, your concern is not so much that there was a conflict of interest in having a fully paid trip to Las Vegas and then responding and promoting that company. Your concern is not about the conflict of interest. Your concern is the embarrassment. Is that your concern, Mr Carapiet?

Mr CARAPIET: Look, it is not really a conflict of interest, so to speak, because there are two separate issues here, I think. One was the trip. A large software provider to insurance companies around the world—there are hundreds of them—holds a conference every year. They asked the CEO of icare to be the keynote speaker at their global conference with insurance companies everywhere. He goes to that conference and, as the keynote speaker, he gets the conference paid for. That, again, is not an unusual occurrence. He gives the speech and comes back. And then—

Mr DAVID SHOEBRIDGE: And he does a promotional video for them.

The CHAIR: Order!

Mr CARAPIET: —he does a promotional video for them.

Mr DAVID SHOEBRIDGE: But then, he does a promotional video for them, to say thank you.

The CHAIR: Mr Shoebridge—

Mr DAVID SHOEBRIDGE: We will just have to disagree about whether or not that is appropriate for a public entity, Mr Carapiet.

Mr CARAPIET: Okay. That is your call.

Mr DAVID SHOEBRIDGE: But it is not the only conflict of interest, is it, that Mr Nagle had? He also had a conflict of interest with the employment of his wife. You did not think to look at them one after the other—an accretion of one to the other?

The CHAIR: There needs to be a question.

Mr CARAPIET: Mr Shoebridge, can you just go through the timing of this?

The Hon. DANIEL MOOKHEY: Sure. Do you want me to do it?

Mr DAVID SHOEBRIDGE: I will hand over to Mr Mookhey.

The Hon. DANIEL MOOKHEY: Thank you. Mr Carapiet, can you turn to document number eight?

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: Can you see that this is a letter that you sent to the Treasury secretary, Mr Pratt?

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: Do you recall the letter?

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: You were effectively replying to a letter that he wrote to you in February, in which he notified you that Treasury had received anonymous allegations about the employment of Mr Nagle's wife?

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: You then commissioned Gilbert and Tobin to undertake an investigation, did you not?

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: Then around about 29 May 2019 the board formally—well, apparently—sanctioned Mr Nagle, yes? And then, you wrote this letter on 4 June. That is correct?

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: Great. Can you turn to the second page?

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: Under the heading "Systemic enhancements and unrelated historical matters" in paragraph two, it says:

In addition, and unrelated to these findings, during the comprehensive documentary review and assessment process, Gilbert + Tobin identified that there had been three other discrete matters that had previously been identified at a management level, around the reporting and management of individual conflicts of interest or gifts and benefits declarations by icare executives. Gilbert + Tobin had observed that these matters fell outside the scope of their assessment of the general allegations but drew them to the Board's attention.

Do you see that paragraph?

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: What were the three other discrete matters around conflicts of interest and gifts and benefits declarations by icare executives?

Mr CARAPIET: I do not recollect, I must admit.

The Hon. DANIEL MOOKHEY: Okay. Do you happen to recollect what the board did in response when Gilbert and Tobin notified you that there were these three other matters?

Mr CARAPIET: I think it would have been passed to the audit and risk committee and they would have looked at them.

The Hon. DANIEL MOOKHEY: Well, do you think or do you know?

Mr CARAPIET: That would be what I expect would have happened. I cannot remember exactly what happened, but I expect that would have happened. Perhaps that is a question for Mr Plumb when he is here tomorrow.

The Hon. DANIEL MOOKHEY: You go on in the next paragraph—

The Hon. TREVOR KHAN: Sorry, can we just find out who authored this letter? I know who signed it.

The Hon. DANIEL MOOKHEY: Did you author this letter, Mr Carapiet?

Mr CARAPIET: It would have been done by Gilbert and Tobin.

The Hon. DANIEL MOOKHEY: And so, you signed it. Did they provide it as a draft for you to sign and send?

Mr CARAPIET: I think the members of the board would have looked at it. Whether any amendments were made or not, I cannot tell you.

The Hon. DANIEL MOOKHEY: Do you see in the next paragraph down—

The Hon. TREVOR KHAN: I am sorry, but in a sense, the draft of this letter would have been forwarded by Gilbert and Tobin and then put on the icare letterhead. Would that be how it would—

Mr CARAPIET: I would expect so, Mr Khan. I would expect so.

The Hon. TREVOR KHAN: I am not being critical.

Mr CARAPIET: When you are hiring legal firms, you get them to do all of the work.

The Hon. TREVOR KHAN: No, no. I get the drift.

Mr CARAPIET: I would not have written it—

The Hon. TREVOR KHAN: No, I did not think you would have.

Mr CARAPIET: —from start.

The Hon. DANIEL MOOKHEY: But you sent it?

Mr CARAPIET: Yes. Yes, of course.

The Hon. DANIEL MOOKHEY: Do you see the next paragraph down? It says in the second sentence:

Information on the third matter is still being collated, but notably it appears to relate to a past situation, rather than any existing conflict and to have been disclosed to and overseen by the previous icare CEO.

Do you see that?

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: Do you have any recall as to what that was about?

Mr CARAPIET: No, I do not. I am sorry.

The Hon. DANIEL MOOKHEY: So, this is a letter that you sent a year after the incidents to do with Mr Bhatia's gift declaration. You get a report from Gilbert and Tobin. It says there are issues to do with conflicts of interest with gifts and benefits declarations by icare executives. Did you cause an investigation to take place?

Mr CARAPIET: As I say, it would have been looked at by the Audit and Risk Committee [ARC]. Whether anything came of it or not, I do not recollect.

The Hon. DANIEL MOOKHEY: Icare had a systemic problem with conflicts of interest, did it not?

Mr CARAPIET: No, I do not believe we did. There were a few instances where it could have been done better and I think there is a consistent view from the board to management that issues such as conflicts of interest need to be clearer and continuously need to improve.

The Hon. DANIEL MOOKHEY: Policies were not in place, were they, to manage conflicts of interest until 2018? That is correct?

Mr CARAPIET: The ARC put a conflict of interest policy—it might have been under one of the other policies, rather than a specific conflict of interest policy. If you are saying it was not there until 2018, I will accept that. I do not remember.

The Hon. DANIEL MOOKHEY: Is that not a massive failure that took place on your watch, Mr Carapiet?

Mr CARAPIET: That conflicts were—

The Hon. DANIEL MOOKHEY: That there was no conflict of interest policy in place.

Mr CARAPIET: I think on a risk and management side we did a lot of things that improved the risk and compliance function within icare. I am not sure that your characterisation is actually correct—that there was no conflict of interest issues in any of the policies. I think that is a point that you will have to raise with the executive.

The Hon. DANIEL MOOKHEY: I am raising it with you. You are the chair. You were the chair. Can you turn to document number five, which is an audit and risk committee conflicts of interest deep dive document from 24 May 2019, which is five days before the Gilbert and Tobin report was handed to you? On page five:

icare does have a documented policy position as to whether secondary employment needs to be declared ... icare does not have a documented policy position as to what kinds of personal relationships should be declared.

This is a searing indictment. Four years into the organisation's existence, a major \$38 billion organisation does not have the most basic of policies. Is it seriously your position that that should not be an issue of public concern?

Mr CARAPIET: If it is not there, it was not there, right? It should have been.

The Hon. DANIEL MOOKHEY: But it was your responsibility to make sure it was there, was it not?

The Hon. TREVOR KHAN: Let him finish, Mr Mookhey.

The Hon. DANIEL MOOKHEY: Was it not your responsibility to make sure that there were these policies in place?

Mr CARAPIET: Look, as the chair of the board, you have to say that as a board this is something that should have been in place. I would have thought it would have been covered in one of the other policies. Whether it was or not, I do not know.

The Hon. DANIEL MOOKHEY: I will hand to Mr Shoebridge.

Mr DAVID SHOEBRIDGE: Mr Carapiet, what it took for you as the chair of the board to take steps to have a conflict of interest policy was your organisation being referred to ICAC. It was only after your organisation was referred to ICAC that you took any steps to put a conflict of interest policy in place. Is that not right?

Mr CARAPIET: I do not share that view, but it is a possible view. I do not have a good explanation for you, Mr Shoebridge. I think it would be best if Mr Plumb, as the chair of the ARC, could give you a clearer view on that. I do not have a good answer for you.

Mr DAVID SHOEBRIDGE: I might take you to document 14, Mr Carapiet. Do you see that—"Nominal Insurer Unified Technology Platform"?

Mr CARAPIET: Yes.

Mr DAVID SHOEBRIDGE: Do you see at the bottom that it says 31 August 2015?

Mr CARAPIET: Yes.

Mr DAVID SHOEBRIDGE: Mr Bhatia was in the board meeting when this was discussed. There was no conflict of interest policy and there is no register of any conflict of interest from Mr Bhatia when this matter was discussed. Are you aware if he raised a conflict of interest when this issue came before the board?

Mr CARAPIET: At a meeting in August 2015? I do not recollect.

Mr DAVID SHOEBRIDGE: Do you remember if Mr Bhatia ever in a board meeting raised a conflict of interest regarding Capgemini and his friendship with executives at Capgemini?

Mr CARAPIET: He may have, but I do not recollect.

Mr DAVID SHOEBRIDGE: Well, I am asking you if you recollect that he ever did. You have no recollection?

Mr CARAPIET: No, I do not.

The Hon. TREVOR KHAN: Can I just ask a question there? Could I just put it this way: If a chief executive made a disclosure of a conflict of interest identified as a friendship, would you ensure that that appeared in the minutes?

Mr CARAPIET: It should have.

The Hon. TREVOR KHAN: Well, would you ensure?

Mr CARAPIET: It should have, yes.

The Hon. TREVOR KHAN: Again, I am not being accusatory, but when somebody makes a disclosure of a conflict of interest—

Mr CARAPIET: At a board meeting, whilst a board meeting is—so, not before or after the board meeting but during the board meeting.

The Hon. TREVOR KHAN: Yes. It is tail-covering stuff, is it not, to include it in the minutes?

Mr CARAPIET: I would have thought so.

The Hon. TREVOR KHAN: And having made that disclosure of a conflict of interest, would it be appropriate then for the person making that disclosure to withdraw from further discussion, or is it simply appropriate for them to make the disclosure?

Mr CARAPIET: I think it is appropriate for them to make the disclosure. When you have to withdraw from those situations—it is pretty clear cut if you have got a financial benefit, right?

The Hon. TREVOR KHAN: Sure, yes.

Mr CARAPIET: If you do not have a financial benefit then it is less clear.

Mr DAVID SHOEBRIDGE: Well, what if I put to you that Mr Bhatia had formed the view that he should withdraw from the process within the executive because of his conflict of interest?

Mr CARAPIET: He did do that.

Mr DAVID SHOEBRIDGE: Did he tell you that?

Mr CARAPIET: There were a couple of committees and I do not think Mr Bhatia was on either of the committees that brought the recommendation to the board. This straddled Safety, Return to Work and Support and icare, I think. So, if I can recollect, there was a period there when it was all changing. There was no board in place, then there was a small board in place, and then there were more members brought onto the board. It would have been in the second half of '15, I think, when all of the reforms—and so, Mr Bhatia joined, I think, in '14. Then there was the Safety, Return to Work and Support and there was a big review done by Treasury, and the like, and by the Minister's office.

Then the legislation was passed. We all had to come off the board. Mr Pratt, myself and Mr Bhatia were the first directors on the board and then some of the old Safety, Return to Work and Support directors were reappointed. And then, Mr Plumb came on from SICorp and Ms McIntyre joined. So, that was the order. All of this was happening at a time when—

The Hon. TREVOR KHAN: There was a degree of flux.

Mr CARAPIET: —there was some flux in the governance. One was an advisory board. One was a different board after the legislation was passed. That is my best recollection. Now, that is going back quite a long time.

The CHAIR: Can I just interrupt? When I indicated there was 10 minutes to run before, I was incorrect in the timings. We have now got 10 minutes to run before Government questions.

Mr DAVID SHOEBRIDGE: Mr Bhatia excluded himself from the process within the executive. That is your recollection, is it, because he had identified the conflict of interest?

Mr CARAPIET: Yes. He was not on the committee. He was not on the evaluation committee or the recommending committee. He just stayed out of it.

Mr DAVID SHOEBRIDGE: You did not know why?

Mr CARAPIET: Look, you are asking me a question of five years previously, Mr Shoebridge. He was here. He gave you his answer. I am assuming his answer is correct, but I do not have a better answer.

Mr DAVID SHOEBRIDGE: So, if he should not have been in the room when decisions were being made at an executive level, how did you allow him to remain in the room when decisions were being made at a board level? I do not understand, Mr Carapiet.

Mr CARAPIET: As I was saying to Mr Khan, this issue of when you leave rooms and do not leave rooms in boards is often up to the individual. It is pretty clear, as I said, that when there is a financial benefit you should leave the room. If there is no financial benefit then it just depends on the situation. I think he was being careful by not being on the committees. The fact that he was one of eight or nine board members—I do not know if the minutes show that he had anything extra to say to anybody else, but he would have had a view, I suspect, at the board. As the CEO, he would be the lead management person and making sure it all worked. So, you know, he is on the board.

Mr DAVID SHOEBRIDGE: So, he should disclose his conflict of interest and he did not, because it is not recorded at any time in the minutes.

Mr CARAPIET: I cannot recollect. As I say, he was here and he said he did, but I do not recollect it and it is not in the minutes. As Mr Khan said, if it was said during a board meeting, he may have said it before or after. I do not know when he said it. He did not say it during a board meeting, because it is not in the minutes. If he had said it I would expect it would be in the minutes, but I do not recollect if he did or he did not. Maybe the minutes missed it. Maybe he said it before or after. There are a whole range of options, Mr Shoebridge.

Mr DAVID SHOEBRIDGE: I will put one option to you, Mr Carapiet.

Mr CARAPIET: Please.

Mr DAVID SHOEBRIDGE: The organisation you were chair of had no conflict of interest policy, had no rigour in this regard, did not even have a standing item in the board agenda for conflicts of interest, and you failed to do your job as the chair to make sure conflicts of interests were addressed.

The Hon. TREVOR KHAN: I will take a point of order.

The CHAIR: I will hear the point of order.

Mr CARAPIET: I think you are drawing a very long bow there.

The CHAIR: Mr Carapiet, we will just allow Mr Khan to do the point of order.

The Hon. TREVOR KHAN: I think, again, you get to that point where really what you are doing is making a broad assertion—in fact, two. I think it is unfair on the witness to do it in that way.

The CHAIR: I am going to uphold the point of order. I would seek that you do not badger and hector the witness, Mr Shoebridge. I will give Mr Mookhey the call.

The Hon. DANIEL MOOKHEY: Thank you very much. Mr Carapiet, I want to talk to you about the issues to do with the underpayment of workers and how the board reacted when it was first told.

The Hon. TREVOR KHAN: Good.

The Hon. DANIEL MOOKHEY: Do you mind turning to document number 23?

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: Do you see that these are the board minutes of a meeting that took place on 25 November 2019?

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: If you turn to page four, do you see at 2.3 the Chief Risk Officer report?

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: I think that was Mr Steve Whiting. Is that correct?

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: Can you see that there is a minuted discussion here about pre-injury average weekly earnings [PIAWE]?

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: Is it your recollection that this was the first time the board was told?

Mr CARAPIET: This has been an issue for a while, as to whether this was the first time we were told that they had done a review. I cannot really recollect if it was the first time or not, Mr Mookhey. I am sorry.

The Hon. DANIEL MOOKHEY: Well, it is the first minuted discussion that I can see in any icare board minutes.

Mr CARAPIET: Okay. Well then, it—

The Hon. DANIEL MOOKHEY: It certainly was not in the minutes of any board meeting that took place earlier that year.

Mr CARAPIET: Yes. There was some legislative changes on this in prior years, but the fact that there was an operational problem on this I think came to light once the computer systems were more operational at icare. That was management's advice to the board—that when they started getting better data and looking at some of these payments, that is when they found the errors both ways, up and down, and then reported it to SIRA.

The Hon. DANIEL MOOKHEY: Yes, okay. That is helpful context and, to be fair, that is not a bad summary of dot point one of the Chief Risk Officer's report to the board. But, as best as I can tell, this is the first time that there is any minuted board discussion about the operational issues to do with the underpayment. I accept that your context was helpful. At the last dot point of that discussion it says:

Management confirmed that it had first discovered the issue in May 2019, noting that when it had initially undertaken conduct risk reviews on the issue in 2017, only minimal instances of underpayment were identified.

Do you see that point?

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: So, there is at least a six-month lag between management discovering the problem in the manner that you just described and the board being told. Did you at all inquire as to why there was a six-month delay in the board finding out?

Mr CARAPIET: Yes. Look, it should have been faster if the problem was as big as they finally worked out. I am not sure they thought it was that big, but I do not want to put words into people's mouths.

The Hon. DANIEL MOOKHEY: That is okay. They have already said it themselves. But you accept that they perhaps should have told the board earlier?

Mr CARAPIET: Yes, I think so. This is always a challenge. If you would like me to give you a little bit more colour—

The Hon. DANIEL MOOKHEY: I just have two questions on this matter.

Mr CARAPIET: Okay, fine. When management and board—the lines as to where you are delving too much in management and where you are not delving enough. There is always this challenge of what needs to be elevated to the board and when. My preference always is for it to be earlier rather than later, and that did not always happen.

The Hon. DANIEL MOOKHEY: I accept that. You are aware that icare had effectively a continuous disclosure action or requirement to SIRA for material issues?

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: And did you, after receiving this report of the board, make any inquiries as to when management was intending to notify SIRA?

Mr CARAPIET: I do not recollect.

The Hon. DANIEL MOOKHEY: Okay. We have learned from both management at the time and SIRA that SIRA were effectively told in late February. Does that accord with your recollection?

Mr CARAPIET: Possibly, yes.

The Hon. DANIEL MOOKHEY: And then, if you turn to document number 22, do you see that this is a letter that the icare CEO sends to Ms Donnelly that you are cc'ed in?

Mr CARAPIET: Sorry, can I just—22. Yes, I have got it.

The Hon. DANIEL MOOKHEY: Do you see it is a letter that Mr Nagle sends to Ms Donnelly?

Mr CARAPIET: On 4 March?

The Hon. DANIEL MOOKHEY: Yes, cc'ed to you and cc'ed to Mr Matthews, the chair of SIRA, in which it is perhaps fair to describe that Mr Nagle takes a very strident view as to SIRA's reaction to this disclosure. Do you see that?

Mr CARAPIET: Yes.

The Hon. DANIEL MOOKHEY: Did you at any point counsel Mr Nagle that that was not an appropriate letter to send?

Mr CARAPIET: Mr Nagle's poor relationship with Ms Donnelly and with SIRA generally is no secret, frankly.

Mr DAVID SHOEBRIDGE: It was notorious in the board, was it not, Mr Carapiet? It was a part of discussion at the board that there had been a breakdown in relationship between your CEO and the regulator.

Mr CARAPIET: Yes. It was something that was a source of some frustration. I think I have told the Committee that the last time I was here.

The Hon. DANIEL MOOKHEY: That is helpful context, but that was not my question. My question is: Did you counsel Mr Nagle that that was an inappropriate letter to send?

Mr CARAPIET: I do not think he showed it to me before he sent it.

The Hon. DANIEL MOOKHEY: Yes, but I am saying: Did you counsel him, after you were cc'ed a copy, that it was an inappropriate letter to send?

Mr CARAPIET: Possibly.

The Hon. DANIEL MOOKHEY: Possibly?

Mr CARAPIET: I do not recollect.

Mr DAVID SHOEBRIDGE: Mr Carapiet, this is not two years ago. This is seven months ago. I think it is only fair that we give you the time to reflect and determine whether or not, seven months ago, you raised this issue with Mr Nagle when he sent what I think we would all agree is a deeply inappropriate letter to SIRA.

Mr CARAPIET: Mr Shoebidge, I am not a full-time executive at icare. I do icare for a few days a month. I do a lot of other things. If I do not remember something, I am not going to say I do.

The Hon. DANIEL MOOKHEY: Sure. But, Mr Carapiet, do you not accept that icare failed to notify the regulator as it was meant to in its continuous disclosure obligations?

Mr CARAPIET: Well, this letter seems to suggest that Mr Nagle did not believe it was—

The Hon. DANIEL MOOKHEY: Do you accept that—

The CHAIR: Mr Mookhey, the time for questions has ceased.

The Hon. TREVOR KHAN: Look, can we just give them another minute because I interrupted it? I think it is only fair to finish off the line.

The Hon. DANIEL MOOKHEY: I appreciate it. Do you accept that icare failed to notify SIRA as it was meant to under the continuous disclosure obligation?

Mr CARAPIET: It appears it should have happened sooner.

The Hon. DANIEL MOOKHEY: And do you accept that the board did not do its job to make sure that icare was complying with its continuous disclosure obligation on a matter which is very serious and affects thousands of injured workers?

Mr CARAPIET: At this time, the board was not aware of the extent of the problems, but I do accept that if you are obliged to make a continuous disclosure then those are the rules and you should have done it. If it was not done—well, then we have to take responsibility that it was not done.

Mr DAVID SHOEBRIDGE: Mr Carapiet, the reason the board was unaware of the extent of the problems was because the executive had not been briefing you adequately about the nature of the concerns. That is right, is it not?

Mr CARAPIET: Look, they had raised it with us in November. It had been discussed subsequently. Remember, you have the Christmas and new year break and you do not have a board meeting until February. February was when COVID hit. We are right in the middle of a pandemic. This has been a bit of a perfect storm of this year, Mr Shoebridge, so if things have not quite happened exactly as they should have—the key task for the board really was to keep the staff safe and keep the activities on foot. They were the primary focus during the early months. Everything else necessarily had to take secondary importance because if those two things did not happen we would not be able to do anything, and that would have been a total disaster.

Mr DAVID SHOEBRIDGE: Mr Carapiet, the board minutes by no means suggest that that was your focus.

The CHAIR: Mr Shoebridge, I am now going to pass the questioning to Mr Farlow.

The Hon. SCOTT FARLOW: Thank you very much, Mr Carapiet. I will not seek to hold you up any longer; I know you have got other places to be this afternoon. Just with respect, if we turn back to the Challis & Company report—just for a bit of background, who commissioned that report?

Mr CARAPIET: The board did.

The Hon. SCOTT FARLOW: The board did? And was that under anyone's instigation? Was that under your instigation or another board member's instigation?

Mr CARAPIET: Yes. I think it is good governance that every three years you have an external party come in, and these reviews can take a number of formats. One is that you just fill out a survey. The other one is that you just do interviews. The more detailed one is that you do both. In 2017 I think we had the Australian Institute of Company Directors do one. And then, because three years had lapsed and we were in the middle of this pandemic and the board was changing, or at least looking to transition—in a sense, you want to do these not at a good time, because everybody is feeling great and you get a whole heap of platitudes. You want to do it so you get proper feedback and you get unadulterated views and negative views from people within the organisation. So, the scores are pretty good, but the comments are how they think that if you had to do something better, that is what I would choose.

The Hon. SCOTT FARLOW: So, effectively, this board review was something that was done as a matter of course, was it?

Mr CARAPIET: Yes. Every three years, I think it is good governance to do it.

The Hon. SCOTT FARLOW: You had done one in 2017—so, every three years. And I take it that in terms of Challis & Company—and I had a quick little look at them. I could not find too much behind their methodology, but I take it that they have interviews with a range of non-executive directors. They have

interviews—what you would call often a 360-degree review, where all sorts of parties provide anonymised feedback into the process. Is that correct?

Mr CARAPIET: They interviewed all the non-executive directors and they interviewed all the members of the executive leadership team. I think they may have interviewed the company secretary, but they certainly interviewed all members of the executive leadership team and all members of the board.

The Hon. SCOTT FARLOW: Of course, Mr Mookhey and Mr Shoebridge put to you individual comments that were made as part of that report in isolation. But what generally were your thoughts on the report if you had to take it in its whole, if you have got any recollection of that?

Mr CARAPIET: It was a report that said the board were working well but had a certain number of concerns with the management team—the CEO in particular. We had to get the actual—but, reporting and issues. Remember, this is also after the Dore report came out towards the end of 2019, so that was also something that was underway. We were in the middle of the global pandemic. Look, it was about as good as it could have been, I think, given all the circumstances. But it is a very honest view from all the directors and I appreciate it, even though I might not agree with all the comments from the executives. It is a full and frank, basically.

The Hon. SCOTT FARLOW: Yes.

Mr DAVID SHOEBRIDGE: It does not mention the pandemic once. Not once.

Mr CARAPIET: I know, but that is when it happened, right?

The Hon. TREVOR KHAN: No, but I think that really is a fact.

Mr CARAPIET: Just to give you a bit of context, Mr Shoebridge, it is all happening at that time.

Mr DAVID SHOEBRIDGE: It is looking at all the operational failures and it is just denial.

The CHAIR: Mr Shoebridge, this is not your time. You have had an hour.

The Hon. SCOTT FARLOW: Mr Carapiet, it was raised with respect to your relationship with the Treasurer and what the report said—just in terms of your relationship with the Treasurer, can you characterise that for us? Is that something that has been a professional relationship? Is there any personal connection you have with the Treasurer?

Mr CARAPIET: There is no personal connection, just a professional relationship. I was asked about Crown lands and things like that. When I retired in 2011 I was appointed to the board of State Super. I did that for three years and at the same time I was appointed to Safety, Return to Work and Support. In the interim period—those were remunerated positions. At the same time, I did the board of trade and business; that was non-remunerated. I did Crown lands; that was non-remunerated. I did the Treasury advisory board; that was non-remunerated. I helped the Treasury team on trying to attract Virgin to the State; that was non-remunerated.

The Hon. SCOTT FARLOW: And, in terms of your opening statement, you outlined how you had been appointed to certain positions both by the Federal Labor Government at the time as well as a State Coalition Government.

Mr CARAPIET: Yes.

The Hon. SCOTT FARLOW: You have developed relationships with people across all sides of the political spectrum, I take it, through those roles?

Mr CARAPIET: Yes.

The Hon. SCOTT FARLOW: Mr Carapiet, the Committee has heard previously that the Treasurer's only interference, so to speak, with the icare board was with respect to premiums. Is that correct, from your recollection, in not going ahead with any premium increase?

Mr CARAPIET: He said, "Given that there is a pandemic, we would just like you to consider whether this is the best time to increase premiums." And so, we considered it and we thought it was not the best time, so we did not.

The Hon. SCOTT FARLOW: Yes. But there was a view on the board that premiums should increase. Is that correct?

Mr CARAPIET: Yes.

The Hon. SCOTT FARLOW: And to pick up on one of those comments, a board director is quoted as saying:

"There is a view that our only lever is to increase premiums, and the message we are sending puts the Treasurer in a difficult spot. It may cause him to think we don't understand the bigger picture. We have to find the balance between a pure commercial view of the world and sitting within Government."

Would you say that some of your board members may have formed the view that having good working relationships with the Treasurer might be important in terms of being able to communicate issues like this to him, where the Treasurer had intervened?

Mr CARAPIET: Look, it is in the legislation that we report to the Treasurer. That is the legislation. That is the rule.

The Hon. SCOTT FARLOW: Mr Carapiet, turning back to the gifts register, which has been raised with you as well, you outlined that in terms of that gifts register nothing in there was of a significant amount that caused you concern. If I look at every single one, they all fall below the disclosure threshold for MPs, which is \$500. You have had, of course, long experience in business. Is it fairly common course for a supplier to a company to send a token Christmas gift to their clients?

Mr CARAPIET: Mr Farlow, how many people who you do not know send you gifts or take you to lunch? And every time you go to lunch, do you feel influenced?

The Hon. SCOTT FARLOW: Not at all.

Mr CARAPIET: It is a ludicrous assessment.

The Hon. SCOTT FARLOW: But I note that in terms of Capgemini, which has been in question, there was a wine and fruit hamper. It seems the date was just before Christmas. There was the French champagne gift hamper, of which Mr Bhatia gave evidence that he did not even drink wine—

Mr CARAPIET: No, he does not.

The Hon. SCOTT FARLOW: —which again fell just before Christmas. I also note that in terms of all but one of the lunch or breakfast engagements there were other members of the icare team present as well. At two of those—a breakfast meeting at Paradiso Terrace and a lunch at est. restaurant—you were in attendance with Capgemini. Can you recall what was discussed at those lunches? I take it they are a fair period of time ago—2015 and 2016?

Mr CARAPIET: Yes.

The Hon. SCOTT FARLOW: But nothing of concern for you—

Mr CARAPIET: No, of course not.

The Hon. SCOTT FARLOW: —in terms of those discussions or anywhere where you thought there was influence that was being wielded?

Mr CARAPIET: On a lunch—my time is valuable. Someone spending fifty bucks on me for lunch and expecting—honestly!

The Hon. SCOTT FARLOW: I think that is it from me, Mr Carapiet. Thank you very much. Did Mr Khan have anything further?

The Hon. TREVOR KHAN: Yes. Look, I do. What I have been struck by was the contents of the Dore report and indeed the evidence given by Mr McCarthy with regards to the wisdom of the—I will call it the Capgemini project. Have you reflected at all upon whether the way that claims have now been structured is the appropriate way for icare to proceed into the future?

Mr CARAPIET: Just to clarify, Mr Khan, the software contract was given to Guidewire.

The Hon. TREVOR KHAN: Sorry, yes.

Mr CARAPIET: Capgemini was the system integrator for the premiums. They did not have anything to do with the claims. So, remembering in 2014 and 2015 when the legislation was passed to stand this organisation up and to do it differently—it was a very ambitious program. As I said earlier, in any of these big, ambitious transformations there are going to be "go back and fix" issues, and that is what is happening. But if you look at the operation of icare today—that is what I am encouraging the actual Committee to do. Look at the operation today and say, "How do you get better from today?" By all means, you have to look at the history to learn the lessons of that, but the actual strategy is right.

I do not have any doubt about the strategy. The execution could have been better; I accept that entirely. You are standing up a large organisation. I think the executives used to call it "Australia's biggest start-up". Things

have been found that could have been better—absolutely. The issue is that when it came to the board, early or late, the board did act.

The Hon. TREVOR KHAN: Look, I am not being critical in that regard. My impression of Dore and the evidence given by Mr McCarthy is that the underlying approach—the underlying philosophy of what is sought to be done—may be misguided. I suppose I am asking: Do you accept or reject that proposition?

Mr CARAPIET: I do not because we have had a significant number—I should not say "we" anymore. Icare has had a significant number of international similar schemes, who have a choice of looking at any scheme anywhere in the world, come to icare to try and replicate what icare has done. They have not been able to find anything better than not just icare but the entire New South Wales workers compensation structure. In this whole thing, because you are balancing things all the time, there are constantly things that you have got to get better. I think that is something that management have to be continuously vigilant about and that the board has to be continuously vigilant about.

But in terms of changing things—yes, there are things that you would tinker about. I think we talked about it last time. There are challenges still. The two big challenges in the workers compensation bit are really return to work rates and medical costs, followed closely by PIAWE—to really remediate that and simplify it, because it is just so complicated. The calculations—and it is filled out largely by employers and employees. So, it is hard to get that right unless you simplify it. But if you are looking at the three big challenges that the team faces—and there will be others—in the workers compensation space, that would be my top three, from an operational point of view.

The CHAIR: Mr Carapiet, we have just reached 4.30 p.m. and that concludes the hearing for today. I would like to thank you for attending the hearing. The Committee has resolved that answers to questions on notice will be returned to us within 21 days. The secretariat will contact you in relation to the questions that you have taken on notice. I would ask you, if you could, to leave the documents that you have been handed on the desk when we conclude. That concludes today's hearing. Thank you very much.

Mr CARAPIET: Thank you.

(The witness withdrew.)

The Committee adjourned at 16:30.