

Excellence in HSE
**We want every worker to
return home safely everyday.**





Safety briefings are conducted every morning before work commences.



Leadership visibility is clear across the Group where Management champions safety for the respective yards.

Passion for HSE

Keppel Offshore & Marine (Keppel O&M) is harnessing employees' *Can Do!* attitude to ignite a passion for excellence in the management of Health, Safety and Environment (HSE).

Deep commitment to HSE is reflected in Management's determination to ensure that every worker returns home safely everyday.

As a further step to underscore the importance of safety, all companies under the Keppel Group have placed safety reports as the first item on the agenda at Board Meetings.

Partnership in HSE

In building a safety culture, we focus on four strategic thrusts. They are management commitment, empowerment, visibility and openness, and incentives and penalties.

During the year, workers at Keppel Shipyard were encouraged to form a Workers Safety Council to help take care of their safety. Union delegates continue to partner Management in creating a safe work environment.

Subcontractors were encouraged to be safety partners by setting up their own Safety Watch Groups.

The HSE teams also worked closely with their counterparts from customers who provided invaluable feedback and guidance.

With the encouragement of greater openness and transparency, there was increased sharing of near-miss incidents and lessons learnt at the shipyards.

Projects in 2006

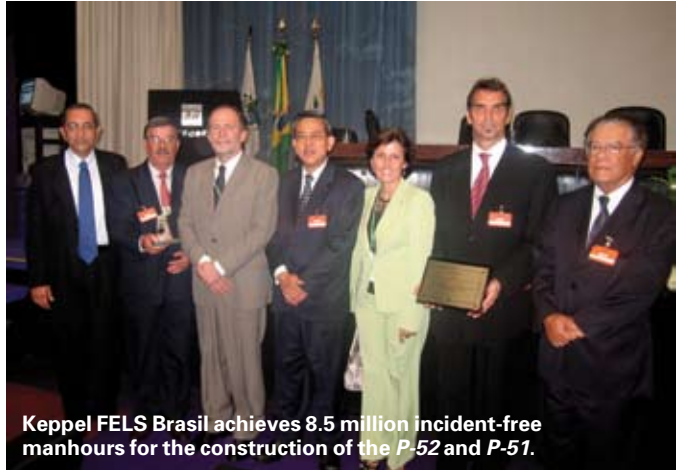
Several major HSE initiatives were implemented during the year, with training and communicating the safety message as the main focus.

In-house training courses on risk assessment were conducted for managers and supervisors. Keppel Shipyard took a step further to initiate a Safety Leadership Programme which emphasised pro-active actions. The programme further reinforced upon managers and supervisors the importance of leadership by example in demonstrating to and coaching their teams on safety acts.

Keppel FELS held its annual safety campaign in July 2006 with risk assessment as the main theme. In December 2006, Keppel Shipyard and Keppel Singmarine also held safety campaigns directed at prevention of injuries to hands and fingers.



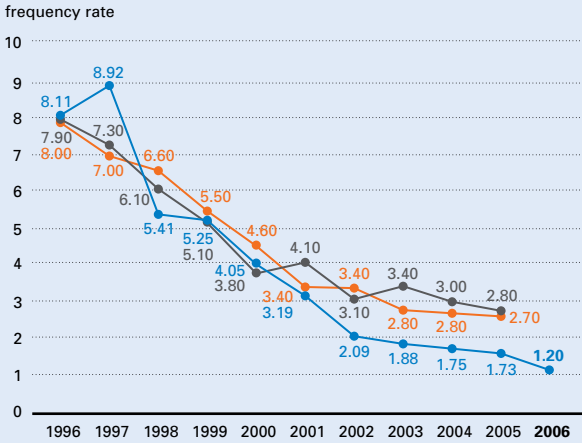
Keppel bags seven awards at the WSH ceremony.



Keppel FELS Brasil achieves 8.5 million incident-free manhours for the construction of the P-52 and P-51.

Keppel O&M achieves sterling safety performance

- Keppel O&M Frequency Rate (FR)
- Marine Industry National FR
- Annual FR Target Set by Ministry of Manpower



As an incentive for maintaining good safety performance, safety award ceremonies were held for projects to recognise the efforts put in by subcontractors towards safety. Good safety performance was added as one of the criteria for the award of jobs to subcontractors.

Protection of the environment

Keppel O&M ensures that all its activities that may affect the environment are carried out under approved controlled conditions.

An example of care for the environment was the dredging operations carried out at Keppel FELS Brasil's BrasFELS yard in Angra dos Reis in Brazil. The dredging was done to enable the berthing of the P-52 and P-51 semisubmersible production platforms.

Prior to commencement of dredging, BrasFELS engaged approved Brazilian environmental consultants to carry out elaborate studies and analyses to ensure that the disposal of the dredged seabed material does not harm the rich sub-marine life in the pristine waters of the Jacuecanga Bay.

Consultation with local authorities and community leaders through public hearings were held to ensure proper understanding of the dredging operation.

Significant safety milestones in 2006

Yard	Project	No. of manhours without Loss Time Incident (LTI)	Client
Keppel FELS Brasil	P-52/P-51	8,500,000	Petrobras
Keppel Shipyard	P-53	5,000,000	Petrobras
Keppel FELS	Mærsk semi no.1	3,000,000	Mærsk
Keppel Batangas	ENSCO 8500	3,000,000	ENSCO
Keppel FELS	Mærsk jackup no.1	2,000,000	Mærsk
Keppel FELS	Deep Driller 2	2,000,000	Sinvest
Keppel FELS	Deep Driller 3	2,000,000	Sinvest
Keppel FELS	West Prospero	2,000,000	SeaDrill
Keppel FELS	Sedco 702	2,000,000	Transocean
Keppel FELS	Deep Driller 5	1,000,000	Sinvest
Keppel FELS	West Atlas	1,000,000	SeaDrill
Keppel FELS	West Berani	1,000,000	SeaDrill
Keppel FELS	Awilco Wilcraft	1,000,000	Awilco
Keppel Shipyard	FPSO Polvo	1,000,000	Prosafce
Keppel FELS	Al-Khor	1,000,000	Gulf Drilling
Keppel FELS	Al-Zubarah	1,000,000	Gulf Drilling
Keppel FELS	PV Drilling I	1,000,000	PetroVietnam

Praiseworthy records

Despite the heavy workload in the seven yards in Singapore, Keppel O&M maintained a good safety performance in 2006. The 10-year low Accident Frequency Rate (AFR) of 1.73 for the Group's Singapore yards in 2005 was further improved to 1.20 in 2006.

During the year, the Group's business units received numerous accolades for their creditable safety performance.

At the annual Workplace Safety & Health Awards organised by the Ministry of Manpower (MOM), Keppel Singmarine, Keppel Shipyard and Keppel FELS collected a total of seven Silver Awards. They also won an award at the 2006 Annual Innovation for Occupational Safety & Health by MOM.

At the Annual Association of Singapore Marine Industries (ASMI) Safety Innovation Teams (SIT) Convention, they were conferred one Gold, two Silver and one Bronze Awards.

Keppel Shipyard and Keppel FELS were also presented with one Gold and one Silver Award respectively during the Annual Health Awards organised by The Health Promotion Board, Ministry of Health.

Apart from accolades from government agencies and industry associations, customers continued to recognise Keppel O&M yards for their safety accomplishments in various projects.



What are the challenges ahead?

We are opening up new facilities regionally in order to meet the high workload. Our main challenge would be to inculcate the new workmen joining our ranks with our safe work practices.

We also need to ensure that our newly commenced work fronts are equipped with the right infrastructure for safety. Constant feedback from the ground is important to make sure that the safety message reaches the workers.

**Interview with Yong Chee Min,
General Manager (HSE)**

Keppel O&M has in recent years expanded its global network of yards to emerging markets. How do you intend to align and maintain the same high safety standards in all of your yards?

The safety standards in most of our overseas yards are quite high. Our immediate efforts should therefore be focused on those yards that need improvement. Some of these efforts include sending our HSE teams to provide guidance and training to personnel of these yards. We can also send their personnel to our Singapore yards for training and familiarisation with the required safety standards.

How does Keppel O&M compare with European yards that have been able to achieve safety records with zero incidents?

Established yards in Europe, and even in Japan and Korea, have the advantage of a homogeneous and well-educated workforce. In Singapore, our challenge is to ensure that our multi-national, multi-cultural workforce, especially our subcontractors, are properly inducted with knowledge on safety despite their different backgrounds and work experiences. It is extremely important that we have a strong safety culture here in Keppel. Newcomers to our yards will then learn from their peers, supervisors and everyone else in the yard to follow strict safety rules.

For our overseas yards, each one of them will have to conform to safety rules in their respective locations. There may be slight variations, but in general safety rules are universally similar in nature.

Will Keppel O&M be achieving such standards?

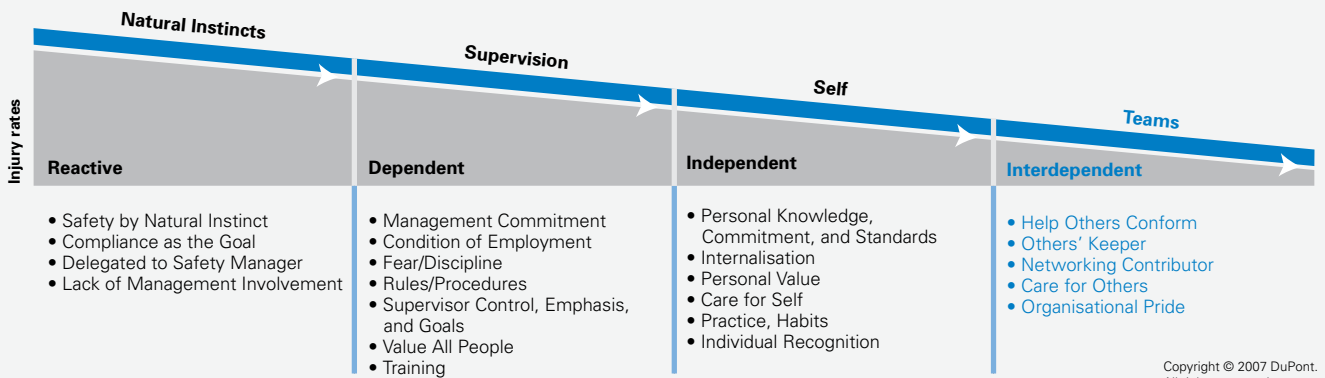
As a global leader in our field, we need to have a world-class safety culture. If we can have the same passion for safety as we have in our *Can Do!* attitude towards quality control and timely delivery, there is no reason why we cannot achieve such standards.

We want all our employees to go home in the same condition as they come to work. This is possible only when everyone takes care of himself and his fellow colleagues.

With the current high level of activity in all our yards, how do you intend to maintain or better your safety track records?

The present peak workload in our seven yards in Singapore will no doubt pose major challenges for us in terms of keeping our good safety records. Each of our yards will have its own safety action plans covering amongst other aspects, training and enforcing safety standards, as well as communicating the safety message down the line to the individual worker.

Building a safety culture – Keppel is moving towards “Interdependent”



The increase in workforce also poses a challenge to the Group. How does the Group manage safety education for the newer and less experienced workers to ensure they are up to the mark?

Training and communicating the safety message will be the mainstay of our safety improvement plans. Besides the safety induction course, we are also emphasising the buddy system whereby each worker not only takes care of his own safety, but also that of his workmates. In addition, we pay special attention to the safety of our new workers.

Supervision of workers' safety while on the job is important. How do the safety departments of the yards handle that?

The management of safety cannot be the sole responsibility of the safety departments. We must be mindful that in our chain of command for safety, we are only as strong as our weakest link. Supervisors play a very important role in ensuring that the safety message reaches right down to the frontline workmen in their teams. As such, we conduct safety leadership programmes for the whole hierarchy of command starting with senior management personnel at the top and cascading down to the supervisors who, in turn play the vital role of ensuring that the safety message reaches down to each and every workman.

How does Keppel O&M ensure that it protects the environment in the course of its business?

Our yards in Singapore are accredited to various certifications as far as protection of the environment is concerned. For example, Keppel Shipyard attained the ISO 14000 certification in 2005 and Keppel FELS is certified under OHSAS 18001. As such, many of our operations affecting the environment are now carried out under approved controlled conditions where environmental protection is assured.

What are the new systems or initiatives that have been put in place since your appointment as GM (HSE)?

One of the main initiatives that I am presently very much involved in is the building of a strong safety culture within the Keppel O&M Group. For many people, safety consciousness does not come naturally. There is a need to consciously build the safety culture into our daily work routine.

The journey towards a safety culture is a long and ongoing one. Our goal is for everyone to realise that safety is not just the responsibility of the safety department and that safety culture is at its strongest when everyone takes ownership. We are encouraging our workers to be open about safety matters.

All said, our safety records have to reflect all the efforts that we put in.