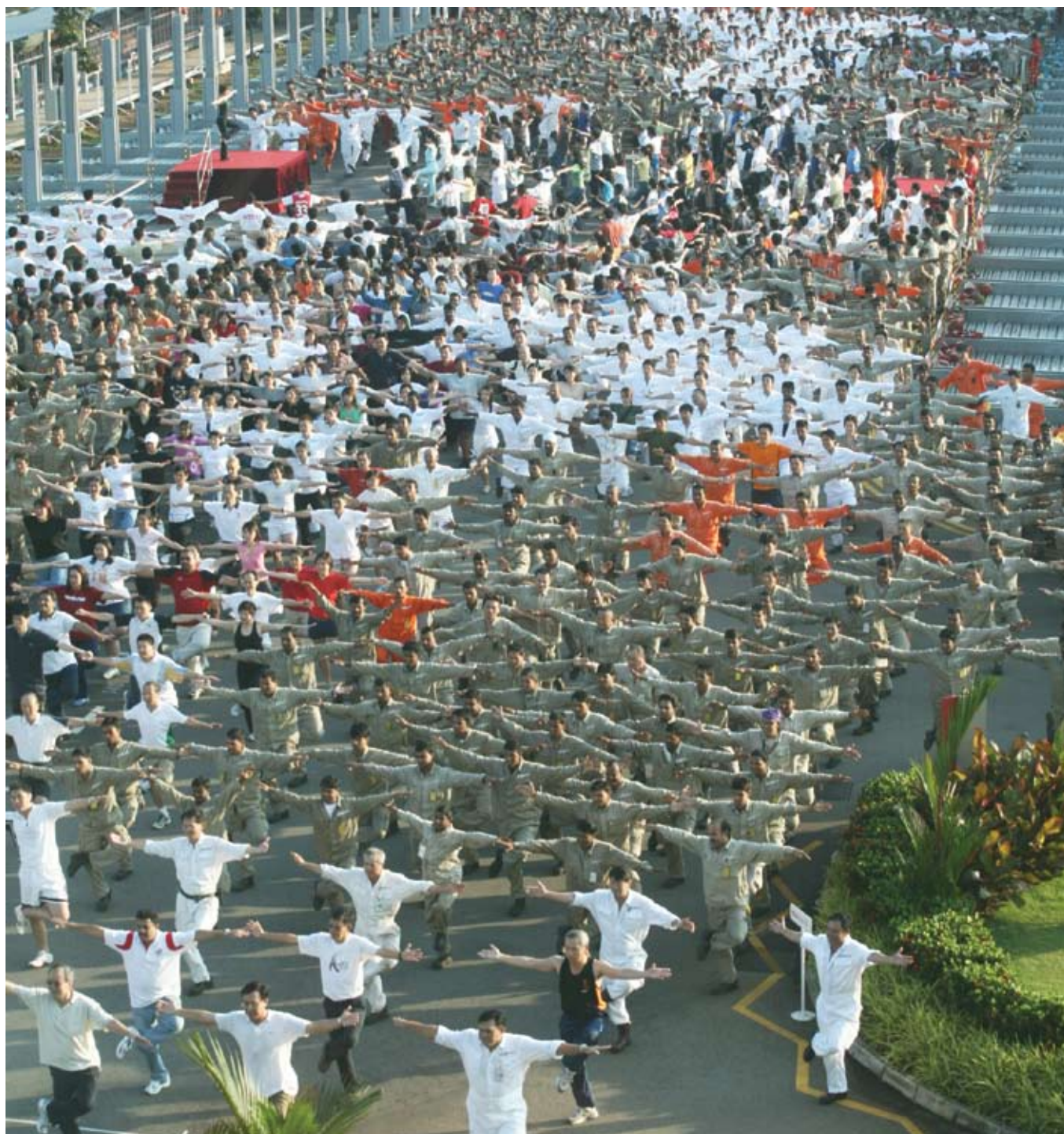
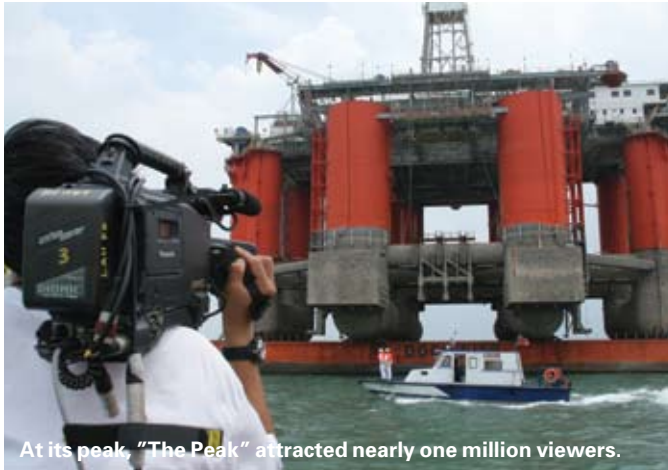


**Nurturing people**  
**Our aim is to be an employer of choice, steadily building a formidable workforce.**





At its peak, "The Peak" attracted nearly one million viewers.

Keppel Offshore & Marine (Keppel O&M) has become a global company within a short span of five years. We have to enlarge and develop our pool of talents rapidly while setting systems in place for effective management of our worldwide operations.

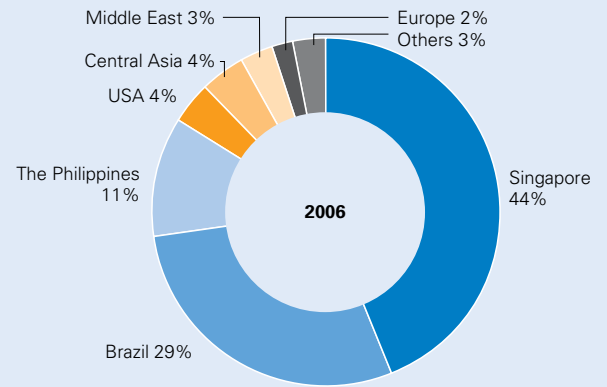
This calls for innovative programmes in attracting, recruiting, developing, retaining and motivating people. In developing our people, the main challenge is empowering them to adopt a global mindset and sending them overseas. We also train local talents to replicate our excellent shipyard operations and to embrace our innovative and *Can Do!* attitude.

Group investment in training and development was S\$17 million in 2006. In Singapore, we invested a total of S\$11 million to equip our people for better work performance, compared to S\$3.6 million in 2005.

As we pursue our goal in becoming a learning organisation, Management is supportive of offering scholarships and study grants to encourage further education and skill development. In Singapore, 54 scholarships were awarded, of which 28 were given to existing employees. This complements our strong management trainee programme.

The Keppel Apprenticeship Scheme, aimed at grooming tradesmen, is gaining momentum in our overseas yards. The Scheme serves as an entry-level skill development programme and as a corporate social responsibility

### Manpower distribution by country



programme to improve employability of the local communities where we operate.

In all, our global direct workforce is 24,613 in 2006 compared to 19,638 in 2005. (See manpower distribution by country)

### Singapore

#### Attraction and recruitment

In 2006, Keppel O&M and our parent Keppel Corporation undertook the task of changing public perception of the offshore and marine industry through the "Grow Beyond" advertising campaign and "The Peak", a MediaCorp television serial. "The Peak" was sponsored by Keppel, the Maritime and Port Authority of Singapore (MPA), the Singapore Maritime Foundation (SMF), the Association of Singapore Marine Industries (ASMI), and other industry players.

These initiatives proved to be solid recruitment aids. There is greater awareness of our key businesses and an encouraging number of job applications.

We collaborated with the National University of Singapore (NUS) to introduce the Keppel O&M Offshore Oil & Gas Technology Specialisation Undergraduate Scholarship in 2006. In its inaugural run, we awarded the scholarship to three outstanding students from the Mechanical Engineering Department.



Keppel Shipyard's employees attended a two-day team-building programme in Bintan aimed to boost camaraderie and team spirit.

Additionally, we awarded two Keppel Group Scholarships, nine ASMI Marine & Offshore Undergraduate (ASMI-MOU) Scholarships, six ASMI Scholarships, five ASMI Marine & Offshore Technology (ASMI-MOT) Scholarships and one ASMI Marine Engineering (ASMI-ME) Scholarship.

We embarked on a "University Outreach Programme" in 2006, targeting the top 20% of the engineering cohort at NUS and Nanyang Technological University (NTU).

Other recruitment efforts included the NTU Networking Night, in which Keppel O&M was platinum sponsor, on 21 September 2006.

The Super V programme attracted good response from Singaporeans to join Keppel yards in 2006. It is a joint effort by ASMI, the Workforce Development Agency (WDA) and the National Trades Union Congress (NTUC) to build up a steady and long-term pool of local supervisors for the marine industry.

### Development

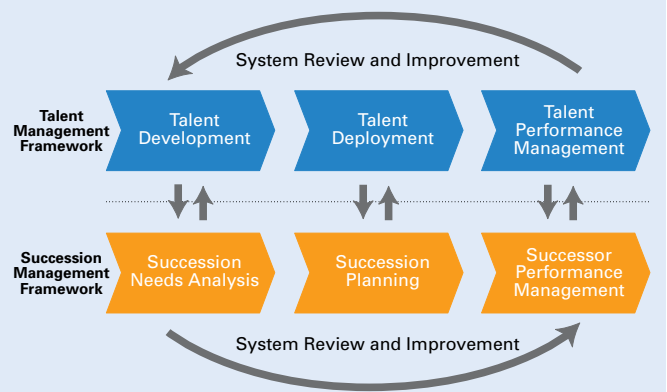
Overall in 2006, the number of learning hours per employee was 107, up from an average of 48 hours in the previous year. This was due mainly to new initiatives launched to strengthen our development and retention of employees.

A new nine to 11 weeks full-time training-cum-orientation programme in the form of modular training was launched for



**The MBTI workshop enables participants to understand their personality types and develop their leadership potential.**

**Systematic approach to talent management**



our management trainees. This was complemented by a Mentoring Scheme to help new employees assimilate the Keppel culture. A total of 309 new senior staff attended the orientation programme with 127 mentors appointed.

A training roadmap was launched at the beginning of 2006 to increase the skills and educational level of our employees. More than 1,000 workers have completed the Basic Core Skills Level One training and 69 foremen and supervisors are currently studying to get National Institute of Technical Education Certificates. Other courses for workers included English coaching classes as well as Safety Leadership training, both of which are part of Keppel Shipyard's Safety Strategic Thrust.

Other key training initiatives held in 2006 included various Kepner Tregoe programmes covering project management, process leader training and foreman development work sessions. These programmes enhance productivity and improve work processes at the production floor level.

The integration of our ongoing Talent Management Framework (TMF) and Succession Management Framework (SMF) ensures that we have a systematic approach to groom talented employees to take on greater responsibilities. Courses conducted for senior executives under this framework included the Meyer-Briggs Type Indicator (MBTI) workshop, a three-day "Management Competencies for High Performance" seminar and a series of Management Development Programmes and Leadership Development Programmes.

### Feedback from employees

During the year, we carried out our second Organisational Climate Survey (OCS) for the Singapore employees to seek their feedback. Management plans to roll out the OCS Group-wide to engage our employees worldwide.

A tool in our journey towards becoming an Employer of Choice, the Survey enables Management to pinpoint employee concerns and identify areas for improvement.

Developed in-house, the Survey measured 13 aspects of the organisation. It had a larger sample size of 1,300 against 1,000 in 2005, and received an improved response rate of 76% compared to 72% in the previous year.

Overall, scores for all 13 areas were well above the neutral score of 3.5. The categories "Safety and Environment" and "Employee Engagement" scored the highest at 4.84 and 4.74 out of 6 points, while "Health & Work-Life Balance" was 3.92.

### Retention

Resignation rate at Keppel remained consistently below the national average for the last three years. A total of 277 employees received their Long Service Awards in 2006, a further testimony to staff loyalty and dedication.

However, with the current tight employment situation in the industry, there is a need to develop creative schemes to retain staff.

Keppel O&M has launched an EVA-based Incentive Scheme (EBIS) to align employees with the company's Economic Value Added (EVA) targets. Part of the employee's EVA earnings is kept in a bonus bank account in the name of the employee.



Employees nominate their colleagues for the Best Employee Stellar Award. The award recognises those who embrace the Core Values.

### Areas covered under the Organisational Climate Survey

1. Organisation Culture and Values
2. Work Environment
3. Management – General
4. Management-Employee Relations
5. Attitude, Motivation and Morale
6. Human Resources Issues
7. Training and Development
8. Internal Communication
9. Recognition and Job Performance
10. Safety and Environment
11. Health and Work-Life Balance
12. Management-Union Relations
13. Employee Engagement

The Keppel O&M Best Employee Stellar (BEST) Award was introduced to publicly recognise employees' exemplary contributions to the Group. Chairman and CEO Mr Choo Chiau Beng and Managing Director and COO Mr Tong Chong Heong presented 44 Keppelites with the BEST Award during the official unveiling ceremony of Keppel O&M Core Values icons on 6 November 2006.

### Employee wellness

Employee wellness is a top priority at Keppel O&M. We held talks on various illnesses during the year. The National Kidney Foundation conducted a free screening for workers at Keppel Shipyard and activities like Stress Buster Week and Weight Management Awareness Week were held. Moreover, fruits were distributed throughout the year to promote healthy



Keppel Batangas has an in-house training programme which educates future offshore and marine personnel.

eating among employees and the annual A.C.T.I.V.E. Day was celebrated with gusto by all at Keppel O&M.

**Industrial relations**

Keppel has maintained warm and cordial relationships with government bodies and unions through the years for issues to be resolved effectively.

Management and the Union collaborated to start the Keppel Employees Union (KEU) Bursary in the 1970s. The Bursary, now an annual event, presented grants to 33 deserving children in December 2006.

Keppel O&M shared its annual family fun with two very special groups of people – children from Keppel’s adopted charity, Association for Persons with Special Needs (APSN), and the families of our employees. The strong relationship enjoyed by Keppel O&M and the unions was visible in the huge turn out on Family Day. Some 14,000 Keppelites and their loved ones turned up at Sentosa for a day of fun and frolic.

**Overseas**

Elsewhere in Keppel O&M’s operations, our Keppel Apprenticeship Scheme has been augmented or introduced with good results achieved.

These programmes have been carried out in various forms involving Keppel’s own in-house training schools in partnership with local trade and educational institutions.



Caspian Shipyard places a strong emphasis on staff training.

The programmes were created to train new recruits for the various trades required as well as to enhance employability for the local community.

Apart from the Apprenticeship Scheme, Keppel AmFELS in the USA also offered scholarships to engineering undergraduates in local universities such as the University of Texas at Brownsville (UTB).

In Brazil, Keppel FELS Brasil co-designed a programme with customer Petróleo Brasileiro S.A. (Petrobras) to reduce illiteracy and increase the educational level of workers. The company also focused on developing the foremen’s managerial skills.

Keppel Cebu in the Philippines engaged workers in feedback to address concerns and improve work processes. It recognised exemplary employees with “Best Foreman”, “Best Supervisor” and “Best Worker” awards.

Caspian Shipyard Company continued to train its workers to take on more sophisticated work.

A greenfield operation, Keppel Kazakhstan is sending university graduates from the country to Singapore to join the Management Trainee Scheme in Keppel FELS. After the programme, the trainees will join Keppel Kazakhstan.