MCDERMOTT INTERNATIONAL INC
Form DEF 14A
March 18, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant [ ]
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Check the appropriate box:

[ ]	Preliminary Proxy Statement
[ ]	**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
[ ]	Definitive Proxy Statement
[ ]	Definitive Additional Materials
[ ]	Soliciting Material Pursuant to §240.14a-12

McDermott International, Inc.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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LETTER TO STOCKHOLDERS

Dear Fellow Stockholder:

I am pleased to invite you to attend the 2016 Annual Meeting of Stockholders of McDermott International, Inc., which will be held on Friday, April 29, 2016, at The Westin Houston Hotel, 945 Gessner Road, Houston, Texas 77024, commencing at 10:00 a.m., local time. The Notice of Annual Meeting and Proxy Statement following this letter provide information on the matters to be acted on at the Meeting.

Over the past two years, McDermott has undergone a significant transformation. David Dickson was appointed Chief Executive Officer in December 2013, and 2014 began as a year with the business in financial distress and our executive team and Board of Directors executing a turnaround strategy to position McDermott for the future. In 2015, against the backdrop of a challenging and deteriorating macro oil and gas environment, we were highly focused on the seamless execution of our operating strategy – to drive a sustainable, profitable and growth-oriented business, with a focus on stockholders, customers and other stakeholders. Our goals for 2015 were to increase operating income via improved project execution, increase cash flows by prioritizing the liquidity needs of our company, increase backlog and bookings to support our future business, promote pricing discipline on order intake operating margins and implement the McDermott Profitability Initiative, our plan focused on increasing profitability and operational flexibility. As further detailed in this proxy statement, our 2015 executive compensation programs were aligned with this strategy and the achievement of these goals.

2015 was a strong year for McDermott

Our financial and operating performance in 2015 resulted in revenues of $3.1 billion, operating income of $91.2 million and year-end backlog of $4.2 billion, each significant increases over performance under the same metrics in 2014.

We generated peer leading total shareholder return (TSR) of 15% in 2015.

We executed a second Long Term Agreement with Saudi Aramco, and received the Lump Sum Award under the Long Term Agreement, which represents the largest award in the history of our Middle East operations.

I am proud of the dedication and delivery on our strategic plan this past year, and I am confident that our Board and executive team will continue to take necessary actions to ensure McDermott remains on a profitable path, driving stockholder value over the long-term.

Stockholder engagement was a key priority for the Board in 2015. We reached out to stockholders representing approximately 40 percent of our outstanding common stock to discuss their perspectives and obtain feedback on a variety of topics, including our corporate governance policies and executive compensation practices. The Chair of our Compensation Committee, Mary Shafer-Malicki, and the Chair of our Governance Committee, Stephen Hanks, led this effort, meeting in-person with holders of approximately 30 percent of our outstanding common stock. As detailed further in this proxy statement, our dialogue with stockholders has significantly influenced the evolution of our executive compensation program. We will continue our stockholder engagement efforts in 2016 and will endeavor to integrate stockholder feedback. It is my hope that this Proxy Statement, which reflects a new design and enhancements based on stockholder input, will provide greater clarification and insight into the connections between our strategy, performance and compensation practices.

On a final note, as part of the Governance Committee's ongoing commitment to director refreshment, Erich Kaeser was appointed to the Board as a new independent director in February 2016, and is standing for election at our 2016 Annual Meeting. Mr. Kaeser brings a valuable mix of experience and skills in leadership and in the international energy and supporting infrastructure businesses, with extensive international operations experience, particularly in the Middle East, that complements the experience and skills of the other nominees standing for re-election.

On behalf of the Board of Directors, I would like to express my sincere appreciation for the trust you have in McDermott.

Sincerely yours,

Gary P. Luquette
Independent Chair of the Board

March 18, 2016

YOUR VOTE IS IMPORTANT.
Whether or not you plan to attend the meeting, please take a few minutes now to vote your shares.

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McDERMOTT INTERNATIONAL, INC.
757 N. Eldridge Pkwy.
Houston, Texas 77079

NOTICE OF 2016 ANNUAL MEETING OF STOCKHOLDERS

Time and Location

10:00 a.m., local time, on Friday, April 29, 2016
The Westin Houston Hotel
945 Gessner Road
Houston, Texas 77024

Items of Business

1. To elect nine members to our Board of Directors, each for a term of one year.
2. To conduct an advisory vote to approve named executive officer compensation.
3. To ratify our Audit Committee's appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the year ending December 31, 2016.
4. To approve our 2016 Executive Incentive Compensation Plan.
5. To approve our 2016 Long-Term Incentive Plan.
6. To transact such other business that properly comes before the meeting or any adjournment thereof.

Record Date and Voting

You are entitled to vote if you were a stockholder of record at the close of business on February 29, 2016 (the "Record Date"). Each share of common stock is entitled to one vote for each director nominee and one vote for each of the other proposals to be voted on at the meeting. There were 239,031,053 shares of our common stock outstanding on the Record Date.

Notice and Access

Instead of mailing a printed copy of our proxy materials, including our Annual Report, to each stockholder of record, we are providing access to these materials via the Internet. This reduces the amount of paper necessary to produce these materials, as well as the costs associated with mailing these materials to all stockholders. Accordingly, on March 18, 2016, we began mailing a Notice of Internet Availability of Proxy Materials (the “Notice”) to all stockholders of record as of the Record Date, and posted our proxy materials on the

Web site referenced in the Notice (www.proxyvote.com). As more fully described in the Notice, all stockholders may choose to access our proxy materials on the Web site referred to in the Notice and/or may request a printed set of our proxy materials. In addition, the Notice and Web site provide information regarding how you may request to receive proxy materials in printed form by mail or electronically by email on an ongoing basis.

Attending the Annual Meeting

See page 81, “Questions and Answers About Attending the Annual Meeting and Voting” for details.

By Order of the Board of Directors,

Liane K. Hinrichs
Secretary
March 18, 2016

PROXY VOTING

Your vote is important. Please vote promptly so your shares can be represented, even if you plan to attend the Annual Meeting. You can vote by Internet, by telephone, or by requesting a printed copy of the proxy materials and using the proxy card enclosed with the printed materials.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to Be Held on April 29, 2016.

The proxy statement and annual report are available on the Internet at www.proxyvote.com.

The following information applicable to the Annual Meeting may be found in the proxy statement and accompanying proxy card:

The date, time and location of the meeting;

A list of the matters intended to be acted on and our recommendations regarding those matters;

Any control/identification numbers that you need to access your proxy card; and

Information about attending the meeting and voting in person.

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PROXY SUMMARY

This summary highlights information contained elsewhere in this proxy statement. This summary does not contain all of the information that you should consider, and you should read the entire proxy statement carefully. As used in this proxy statement, unless the context otherwise indicates or requires, references to "McDermott," "we," "us," and "our" mean McDermott International, Inc. and its consolidated subsidiaries. We first sent or provided this proxy statement and the form of proxy for our 2016 Annual Meeting of Stockholders on March 18, 2016.

Items of Business for the Annual Meeting

Item of Business	**Board Vote Recommendation**	**Page Reference**
1. Election of directors	FOR Each Director Nominee	12
2. Advisory vote to approve named executive officer compensation	FOR	28
3. Ratification of Deloitte & Touche LLP as auditor for 2016	FOR	67
4. Approval of the 2016 Executive Incentive Compensation Plan	FOR	69
5. Approval of the 2016 Long Term Incentive Compensation Plan	FOR	70

Item 1 – Election of Directors

The Board of Directors has nominated nine candidates, each for a one-year term, including Mr. Erich Kaeser, who was appointed to our Board in February 2016.

Our Board of Directors recommends that stockholders vote "FOR" each of the nominees named below.

	Age	**Director Since**	**Independent**	**Committees**	**Other Current Public Company Boards**
John F. Bookout, III **Senior Advisor, Apollo Global Management, LLC**	62	2006	X	Governance	None
Roger A. Brown **Vice President, Strategic Initiatives of Smith International, Inc. (retired)**	71	2005	X	Compensation Governance	Ultra Petroleum Corp.
David Dickson **President and Chief Executive Officer of McDermott**	48	2013		None	None
Stephen G. Hanks **President, Chief Executive Officer of Washington Group International, Inc. (retired)**	65	2009	X	Audit	Lincoln Electric Holdings, Inc.

				Governance (Chair)	Babcock & Wilcox Enterprises, Inc.
Erich Kaeser **Chief Executive Officer of Siemens Middle East (retired)**	60	2016	X	Audit	None
Gary P. Luquette **President and Chief Executive Officer of Frank's International N.V.** **(Non-Executive Chair of the Board of McDermott)**	60	2013	X	Compensation	Frank's International, N.V.
William H. Schumann, III **Executive Vice President of FMC Technologies, Inc. (retired)**	65	2012	X	Audit (Chair)	Avnet, Inc.
Mary L. Shafer-Malicki **Senior Vice President and Chief Executive Officer of BP Angola (retired)**	55	2011	X	Compensation (Chair) Governance	Ausenco Limited John Wood Group PLC
David A. Trice **Chief Executive Officer of Newfield Exploration Company (retired)**	68	2009	X	Audit	New Jersey Resources Corporation QEP Resources, Inc.

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Proxy Summary

Board Snapshot

Corporate Governance

McDermott's Board has implemented policies and structures that we believe are among best practices in corporate governance. The Corporate Governance

section of this proxy statement beginning on page 12 describes our governance framework, which includes the following:

Board and Governance Information

Size of Board	9	Board Orientation	Yes
Number of Independent Directors	8	Succession Planning Oversight	Yes
Separate Chair and CEO	Yes	Board Risk Oversight	Yes
Board Meetings Held in 2015	10	Code of Conduct for Directors, Officers and Employees	Yes
Mandatory Retirement Age	72	Stock Ownership Guidelines for Directors and Executive Committee, or EXCOM, Members	Yes
Average Age of Directors	62	Anti-Hedging and Pledging Policies	Yes
Annual Board and Committee Evaluations	Yes	Clawback Policy and Forfeiture Provisions	Yes
Independent Directors Meet in Executive Session	Yes	Stockholder Outreach Program	Yes

Item 2 – Advisory Vote to Approve Named Executive Officer Compensation

We recommend that you review our Compensation Discussion and Analysis beginning on page 28, which explains in greater detail the philosophy of the Compensation Committee and its actions and decisions in 2015 regarding our compensation programs. While the outcome of this proposal is non-binding, the Board and Compensation Committee will consider the outcome of the vote when making future compensation decisions.

Our Board of Directors recommends that stockholders vote "FOR" the advisory vote to approve named executive officer compensation.

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About our Business

Business

McDermott is a leading provider of integrated engineering, procurement, construction and installation services for offshore and subsea oil and gas field developments worldwide. We deliver fixed and floating production facilities, pipelines and subsea systems, from concept to commissioning to customers including national oil companies and international and independent oil companies. McDermott generally has 40 or fewer active contracts at any given time, which typically span a duration of one to three years, are performed in a variety of jurisdictions, and which may individually range from less than $50 million to more than $2 billion in total contract value.

2015 Strategy and Goals

Our strategy in 2015 was to drive a sustainable, profitable and growth-oriented business, with a focus on stockholders, customers and other stakeholders. In furtherance of this strategy, our 2015 goals were to:

increase operating income via improved project execution;

increase cash flows by prioritizing our liquidity needs;

increase backlog and bookings to support our future business;

promote pricing discipline on order intake operating margins; and

implement the McDermott Profitability Initiative (“MPI”), our plan focused on increasing profitability and operational flexibility.

Performance

Following the appointment of David Dickson as Chief Executive Officer in December 2013 and the significant turnaround efforts in 2014, McDermott commenced 2015 against the backdrop of a challenging and deteriorating macro oil and gas environment. In 2015, we were highly focused on the seamless execution of our operating strategy – to drive a sustainable, profitable, growth-oriented business, with a focus on stockholders, customers and other stakeholders. Reflecting the execution of our operating strategy, McDermott’s financial performance was as follows for the periods presented below:

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**MDR Financial Performance
2013–2015**

As evidenced by the results above, following Mr. Dickson's appointment as President and Chief Executive Officer in December 2013, McDermott's financial performance has improved significantly. Total shareholder return ("TSR") for McDermott was 15% for 2015, as compared to our Proxy Peer Group's median TSR of approximately -33%. Operating income for 2015 of $91.2 million exceeded our 2014 operating income by $82.6 million and 2013 operating income by $547.9 million. Order intake of $3.7 billion in 2015 exceeded the amount of order intake for 2013 and 2014 combined and assisted in achieving year-end 2015 backlog of $4.2 billion, a $600 million increase over year-end 2014. In evaluating the performance of Mr. Dickson, the Board has considered these performance improvements, as well as other financial and leadership goals, and believes that Mr. Dickson has succeeded on all of these fronts since joining McDermott in late 2013, leading to a stronger, more durable business, particularly during a difficult business cycle and extended challenging macro environment.

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Our Compensation Philosophy

The Compensation Committee is committed to targeting reasonable and competitive total direct compensation for our Named Executive Officers, or NEOs, with a significant portion of that compensation being performance-based. Our compensation programs are designed to address business needs and provide competitive opportunities, and achievement of most of those opportunities depends on the attainment of performance goals and/or stock price performance. McDermott's compensation programs are designed to provide compensation that:

The Compensation Committee has designed and administered compensation programs aligned with this philosophy.

Elements of Direct Compensation

For the Annual and Long-Term Incentive Plans, McDermott's 2015 compensation programs utilized metrics that were directly related to McDermott's 2015 strategies and goals.

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Proxy Summary

Target versus Realized Values of CEO Compensation

The Compensation Committee is committed to targeting reasonable and competitive direct compensation for our NEOs. Because a significant portion of our NEOs' compensation is performance-based, the target values established may vary substantially from the actual pay that may be realized. The Compensation Committee generally targets total direct compensation within approximately 15% of the median compensation of our market for comparable positions. As a reflection of this, Mr. Dickson's target total direct compensation for 2015 was approximately 95% of median market compensation.

The following table summarizes target values for Mr. Dickson's compensation, as compared to realized values as of December 31, 2013, 2014 and 2015:

(1) *Target amount for 2013 included (i) the partial-year annual base salary earned by Mr. Dickson from his date of hire through 12/31/13, (ii) a $480,000 sign-on bonus that Mr. Dickson received to compensate him for benefits from his former employer that he was foregoing by joining McDermott and (iii) a one-time grant of restricted stock with a grant date fair value of approximately $3.8 million intended to compensate him for the forfeiture of equity-based incentives from his former employer. Target amounts for 2014 and 2015 included Mr. Dickson's target EICP award and the grant date fair values of long-term incentives awarded in 2014 and 2015.*

(2) *Realized amounts for all years include the amount of annual base salary earned. Realized amounts for 2013 include the sign-on bonus referred to in note (1) above. Realized amounts for 2014 and 2015 include the actual EICP awards earned in each year, as well as the value of long-term incentive awards granted in prior years, to the extent that those amounts vested in the applicable year, based on the closing price of our common stock on the date that they vested.*

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Item 3 – Ratification of Appointment of Deloitte & Touche as Auditors

Our Board of Directors has ratified our Audit Committee's appointment of Deloitte & Touche LLP as McDermott's independent registered public accounting firm for the year ending December 31, 2016, and, as a matter of good governance, we are seeking stockholder ratification of that appointment.

Our Board of Directors recommends that stockholders vote "FOR" the ratification of Deloitte & Touche LLP as McDermott's independent registered public accounting firm for the year ending December 31, 2016.

Our Board of Directors recommends that stockholders vote "FOR" the ratification of Deloitte & Touche LLP as McDermott's independent registered public accounting firm for the year ending December 31, 2016.

Item 4 – Approval of the McDermott International, Inc. 2016 Executive Incentive Compensation Plan

We are asking our stockholders to approve the McDermott International, Inc. 2016 Executive Incentive Compensation Plan (the "2016 EICP") to replace our existing EICP. Stockholder approval of the 2016 EICP is necessary for awards under the 2016 EICP to be considered "performance-based compensation" under Internal Revenue Code Section 162(m). On February 26, 2016, our Board of Directors adopted the 2016 EICP. The 2016 EICP is further described below under "Approval of the 2016 EICP (Item 4)."

We believe strongly that the EICP has served as an essential component of compensation, allowing us to provide reasonable incentives to and reward the performance results achieved by executive officers and other key employees in a manner most favorable to our stockholders.

Our Board of Directors recommends that stockholders vote "FOR" the approval of the 2016 EICP.

Item 5 – Approval of the 2016 McDermott International, Inc. Long-Term Incentive Plan

We are asking our stockholders to approve the 2016 McDermott International, Inc. Long-Term Incentive Plan (the "2016 LTIP") to replace the 2014 McDermott International, Inc. Long-Term Incentive Plan (the "2014 LTIP"). On February 26, 2016, our Board of Directors adopted, subject to stockholder approval, the 2016 LTIP reserving 12 million shares for issuance pursuant to awards thereunder. A total of 0 shares remain available for issuance under the 2014 LTIP as of December 31, 2015. The 2016 LTIP would also provide certain updates and governance-related enhancements as described below under "Approval of the 2016 LTIP (Item 5)."

Stockholder approval of the 2016 LTIP is necessary for certain awards under the 2016 LTIP to be considered "performance-based compensation" under Internal Revenue Code Section 162(m). Additionally, the proposed adoption of the 2016 LTIP will allow us to continue to fully utilize equity incentive compensation as a means of aligning the interests of participants with those of our stockholders and providing participants with further incentives for outstanding performance. As a result, we believe strongly that the adoption of the 2016 LTIP is important to our ability to recruit and retain executive officers, directors and key employees with outstanding ability and experience essential to our long-term growth and financial success.

Our Board of Directors recommends that stockholders vote "FOR" the approval of the 2016 LTIP.

PROXY STATEMENT FOR 2016 ANNUAL MEETING OF STOCKHOLDERS

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CORPORATE GOVERNANCE

Introduction

Our Board of Directors maintains a strong commitment to corporate governance and has implemented policies and procedures that we believe are among the best practices in corporate governance.

We maintain a corporate governance section on our Web site which contains copies of our principal governance documents. The corporate governance section may be found at *www.mcdermott.com* under “INVESTORS — Corporate Governance” and “WHO WE ARE — Leadership — Board Committees.” The corporate governance section contains the following documents:

By-Laws
Corporate Governance Guidelines
Code of Ethics for CEO and Senior Financial Officers
Board of Directors Conflicts of Interest Policies and Procedures
Audit Committee Charter
Compensation Committee Charter
Governance Committee Charter

In addition, our Code of Business Conduct may be found on our Web site at *www.mcdermott.com* at “WHO WE ARE — Ethics.”

Item 1 – Election of Directors

Unless otherwise directed, the persons named as proxies on the enclosed proxy card intend to vote “FOR” the election of each of the nominees. If any nominee should become unavailable for election, the shares will be voted for such substitute nominee as may be proposed by our Board of Directors. However, we are not aware of any circumstances that would prevent any of the nominees from serving.

Our Board of Directors recommends that stockholders vote “FOR” each of the nominees named below.

Election Process

Our Articles of Incorporation provide that, at each annual meeting of stockholders, all directors shall be elected annually for a term expiring at the next succeeding annual meeting of stockholders or until their respective successors are duly elected and qualified. Accordingly, on the nomination of our Board, John F. Bookout, III, Roger A. Brown, David Dickson, Stephen G. Hanks, Gary P. Luquette, William H. Schumann, III, Mary L. Shafer-Malicki and David A. Trice will stand for reelection as directors, and Erich Kaeser will stand for election as a director, at this year’s Annual Meeting, each for a term of one year.

Our By-Laws provide that (1) a person shall not be nominated for election or reelection to our Board of Directors if such person shall have attained the age of 72 prior to the date of election or reelection, and (2) any director who attains the age of 72 during his or her term shall be deemed to have resigned and retired at the first Annual Meeting following his or her attainment of the age of 72. Accordingly, a director nominee may stand for election if he or she has not attained the age of 72 prior to the date of election or reelection.

2016 Nominees

In nominating individuals to become members of the Board of Directors, the Governance Committee considers the experience, qualifications, attributes and skills of each potential member. Each nominee brings a strong and unique background and set of skills to the Board, giving the Board, as a whole, competence and experience in a wide variety of areas. The Governance Committee and the Board of Directors considered the following information, including the specific experience, qualifications, attributes or skills, in concluding each individual was an appropriate nominee to serve as a member of our Board for the term commencing at this year's Annual Meeting (ages are as of April 29, 2016).

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Corporate Governance

JOHN F. BOOKOUT, III

Director Since 2006

Committee Assignments:

Governance Committee

Current Public Company Directorships:

None

Former Public Company Directorships:

Tesoro Corporation (2006-2010)

Skills and Qualifications:

Energy/Oil Field Services Industry

Other Public Company Directorships

Mr. Bookout, 62, has served as a Senior Advisor at Apollo Global Management, LLC, a global investment management firm, since October 2015. Previously, he served as a Managing Director of Energy and Infrastructure at Kohlberg Kravis Roberts & Co. ("KKR"), a private equity firm, from March 2008 until his retirement in June 2015. For the majority of his career, Mr. Bookout worked in petroleum refining, marketing, exploration and development, and the natural gas and electric utility industries. Prior to joining KKR, he served as a director of McKinsey & Company, a global management consulting firm which he joined in 1978. During Mr. Bookout's career with McKinsey, he held several leadership roles, including Managing Partner and Head of North American and European energy practices and was responsible for McKinsey's 17 global industry practices. Mr. Bookout also served as a director of Tesoro Corporation, an independent refiner and marketer of petroleum products, from 2006 to 2010. Mr. Bookout has a Bachelor of Arts degree in Economics from Rice University and an M.B.A. from Stanford Graduate School of Business.

The Board of Directors is nominating Mr. Bookout in consideration of his broad experience in executive leadership and as a public company director within the oil and gas exploration and development industry and the petroleum refining and marketing industry. Mr. Bookout's expertise in private equity and finance, together with his extensive global energy experience, adds significant value to McDermott's strategic and tactical decision making process.

Corporate Governance

Executive Leadership

Financial & Private Equity

International Operations

ROGER A. BROWN

Director Since 2005

Committee Assignments:

Governance and Compensation Committees

Current Public Company Directorships:

Ultra Petroleum Corporation (since 2007) — Audit and Compensation Committees and Nominating & Corporate Governance Committee Chair

From 2005 until his retirement in 2007, Mr. Brown, 71, was Vice President, Strategic Initiatives of Smith International, Inc., a supplier of goods and services to the oil and gas exploration and production industry, the petrochemical industry and other industrial markets. He was President of Smith Technologies (a business unit of Smith International, Inc.), from 1998 until 2005, and was President of Smith Diamond Technology from 1995 to 1998. Mr. Brown also held leadership positions in his career at Camco International, Inc. (prior to its acquisition by Schlumberger Technology Corporation), a provider of oilfield equipment and services, including General Counsel and Corporate Secretary of Camco, Vice President of Reda Pump Company (a business unit of Camco at the time), and President of Hycalog, (a business unit of Camco at the time). Prior to his 30-year career in oilfield services, Mr. Brown was a practicing attorney for eight years. He has also served as a director of Ultra Petroleum Corp., an independent oil and gas exploration and production company, since 2007, and from 2010 to 2014, as a director of Boart Longyear Limited, a leading, global provider of drilling services, drilling equipment and performance tooling for mining and drilling companies. He has a Juris Doctorate and a Bachelor of Science degree in Economics, History and Political Science from the University of Oklahoma.

The Board of Directors is nominating Mr. Brown in consideration of his extensive experience in the oil and gas exploration and production industry gained from serving in executive leadership and board positions at public companies within the energy and oil field services industry. Mr. Brown brings to the Board a broad knowledge of the international oilfield services business, a comprehensive understanding of corporate governance issues, a legal background and a critical perspective on McDermott's strategy and operations, both domestic and abroad.

Former Public Company Directorships:

Boart Longyear Limited (2010-2014)

Skills and Qualifications:

Energy/Oil Field Services Industry

Other Public Company Directorships

Corporate Governance

Executive Leadership

International Operations

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Corporate Governance

DAVID DICKSON

Director Since 2013

President and Chief Executive Officer

Committee Assignments:

None

Current Public Company Directorships:

None

Former Public Company Directorships:

None

Skills and Qualifications:

Oilfield Engineering/Construction Industry

Mr. Dickson, 48, has served as a member of our Board of Directors and as President and Chief Executive Officer since December 2013, and previously as our Executive Vice President and Chief Operating Officer beginning in October 2013. Mr. Dickson has over 25 years of offshore oilfield engineering and construction business experience, including 11 years of experience with Technip S.A. and its subsidiaries. From September 2008 to October 2013, he served as President of Technip U.S.A. Inc., with oversight responsibilities for all of Technip's North American operations. In addition to being the President of Technip U.S.A. Inc., Mr. Dickson also had responsibility for certain operations in Latin America, including Mexico, Venezuela, Colombia and the Caribbean. Mr. Dickson also supported the Technip organization by managing key customer accounts with international oil companies based in the United States.

The Board of Directors is nominating Mr. Dickson in consideration of his position as our President and Chief Executive Officer, his extensive executive leadership experience in and significant knowledge of the offshore oilfield engineering and construction business, and his broad understanding of the expectations of our core customers.

Knowledge of core customers

Executive Leadership

Financial Oversight

International Operations

STEPHEN G. HANKS

Director Since 2009

Committee Assignments:

Governance Committee (Chair) and Audit Committee

Current Public Company Directorships:

Lincoln Electric Holdings, Inc. (since 2006) —Finance Committee Chair and Compensation and Executive Development Committee

Mr. Hanks, 65, has held various roles over a 30-year career with Washington Group International, Inc. (and its predecessor, Morrison Knudsen Corporation), an integrated engineering, construction, and management solutions company for businesses and governments worldwide. From 1994 to 1995, Mr. Hanks served as Executive Vice President Administration and Finance of Morrison Knudsen Corporation and later served as Washington Group International, Inc.'s President and Chief Executive Officer and was a member of its board of directors from 2000 through 2007. From November 2007 until his retirement in January 2008, he was President of the Washington Division of URS Corporation. He formerly served as Executive Vice President, Chief Legal Officer and Secretary for Washington Group International. He has also served as a director of Lincoln Electric Holdings, Inc., a global leader in arc welding, robotic welding systems, plasma and oxyfuel cutting equipment and brazing and soldering alloys, since 2006, and as a director of Babcock & Wilcox Enterprises, Inc., a global leader in energy and environmental technologies and services for the power and industrial markets, since July 2015. Mr. Hanks has a Bachelor of Science degree in Accounting from Brigham Young University, a Master's degree in Business Administration from the University of Utah and a Juris Doctor degree from the University of Idaho.

The Board of Directors is nominating Mr. Hanks in consideration of his extensive experience in the international engineering and construction business and his broad knowledge in accounting, auditing and financial reporting, and his legal background. Having served in executive and director capacities at several public companies, Mr. Hanks brings to the Board a valuable perspective on its oversight responsibilities, on corporate governance issues and on outstanding customer service across many global industrial sectors. Based on his knowledge and experience, Mr. Hanks qualifies as an "audit committee financial expert."

Babcock & Wilcox Enterprises, Inc. (since July 2015) — Governance Chair, Compensation Committee and Lead Independent Director

Former Public Company Directorships:

Washington Group International, Inc. (2000-2007)

URS Corporation (2007-2008)

The Babcock & Wilcox Company (2010-June 2015)

Skills and Qualifications:

Engineering/Construction Industry

Other Public Company Directorships

Corporate Governance

Executive Leadership

Financial Oversight

International
Operations

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Corporate Governance

ERICH KAESER

Director Since 2016

Committee Assignments:

Audit Committee

Current Public Company Directorships:

None

Former Public Company Directorships:

None

Skills and Qualifications:

Energy/Infrastructure Services Industry

Executive Leadership

Prior to his retirement in December 2014, Mr. Kaeser, 60, served in key executive and advisory positions, with a strong focus on the Middle East markets, throughout his 35 year career at Siemens AG, a global conglomerate producing energy-efficient and resource-saving technologies across a variety of industrial sectors. Mr. Kaeser served as Executive Advisor to the Siemens AG Board and Regional Middle East Management from December 2013 to December 2014, and as Chief Executive Officer, Siemens Middle East, responsible for overseeing the Siemens business in 16 countries, from August 2008 to November 2013. He also served as Senior Vice President, Head of Corporate Development and Regional Strategies Africa, Middle East, C.I.S., Siemens AG from May 2007 to August 2008, and in several other managerial and executive capacities within the Energy, Industry, Infrastructure and Cities sectors since commencing his career at Siemens in 1979, including: Senior Vice President, Head of Corporate Development and Regional Strategies Africa, Middle East, C.I.S., Siemens A.G., from 2007 to 2008, Managing Director—Branch Offices Jordan, Syria and Lebanon, Siemens A.G., from 2006 to 2007, General Manager—Power Transmission & Distribution Systems, Lower Gulf (UAE, Qatar, Bahrain, Oman, Yemen), Siemens LLC, from 2005 to 2006, President Transportation Systems – Turnkey Systems (worldwide), Siemens A.G., from 2004 to 2005, and Chief Executive Officer of Siemens Ltd. in Saudi Arabia, from 2000 to 2004. Since January 2015, Mr. Kaeser has served as an Executive Advisor for MKS Consultancy FZ LLC (a member of QRC Group A.G.), an international management consulting and executive recruitment company. Mr. Kaeser holds a Bachelor degree in Electrical Power Engineering from the Regensburg University of Applied Sciences in Germany.

The Board of Directors is nominating Mr. Kaeser in consideration of the breadth of his experience in the energy and supporting infrastructure businesses and his extensive international operations experience, particularly in the Middle East. Mr. Kaeser brings to the Board significant managerial and operational expertise in the international energy industry and provides key insight into McDermott's international operations and strategy. Based on his knowledge and experience, Mr. Kaeser qualifies as an "audit committee financial expert."

Financial Oversight

Knowledge of Core Customers

International Operations

GARY P. LUQUETTE

Director Since 2013

Non-Executive Chair of the Board

Committee Assignments:

Compensation Committee

Current Public Company Directorships:

Frank's International N.V. (Since 2013) — Supervisory and Audit Committees

Former Public Company Directorships:

None

Mr. Luquette, 60, has served as President and Chief Executive Officer of Frank's International N.V., a global provider of engineered tubular services to the oil and gas industry, since January 2015, and has served as Frank's Supervisory Director since November 2013. From 2006 until September 2013, he served as President of Chevron North America Exploration and Production, a unit of Chevron Corporation. Mr. Luquette began his career with Chevron in 1978 and, prior to serving as President, held several other key exploration and production positions in Europe, California, Indonesia and Louisiana, including Managing Director of Chevron Upstream Europe, Vice President, Profit Center Manager, Advisor and Engineer. He has served on the board of directors for the United Way of Greater Houston and has also been a member of the American Petroleum Institute and was the former chair of its Upstream Committee. Mr. Luquette has a Bachelor of Science degree in Civil Engineering from the University of Louisiana at Lafayette.

The Board of Directors is nominating Mr. Luquette in consideration of his extensive senior management, operational and international experience in the global oil and gas exploration and production industry and the oilfield services industry. Our Board benefits from his valuable upstream customer perspective and his knowledge and understanding of the subsea sector and our core customers.

Skills and Qualifications:

Energy/Oil Field Services Industry

Other Public Company Directorships

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Executive Leadership

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WILLIAM H. SCHUMANN, III

Director Since 2012

Committee Assignments:

Audit Committee (Chair)

Current Public Company Directorships:

Avnet, Inc. (since 2010) — Non-Executive Chairman of the Board, Audit, Compensation and Corporate Governance Committees

Former Public Company Directorships:

AMCOL International Corporation (2012-2014)

URS Corporation (March 2014-October 2014)

From 2005 until his retirement in August 2012, Mr. Schumann, 65, served as Executive Vice President of FMC Technologies, Inc. ("FMC"), a global provider of technology solutions for the energy industry. During his 30-year career at FMC, and its predecessor, FMC Corporation, he also served in the following positions: Chief Financial Officer of FMC Corporation from 1999 until his retirement from that position in December 2011; Vice President, Corporate Development from 1998 to 1999; Vice President and General Manager, Agricultural Products Group from 1995 to 1998; Regional Director, North America Operations, Agricultural Products Group from 1993 to 1995; Executive Director of Corporate Development from 1991 to 1993, and other various management positions from the time he joined FMC in 1981. He also has served as the Chairman of the Board of Avnet, Inc., an industrial distributor of electronic components and products, since February 2010. Mr. Schumann has a Bachelor of Science degree in Systems Engineering from the University of California, Los Angeles, and a Master of Science degree in Management Science from University of Southern California Marshall Graduate School of Business.

The Board of Directors is nominating Mr. Schumann in consideration of his valuable experience acquired from serving in several executive leadership and board positions at public companies within the energy industry and his broad knowledge in the areas of accounting, auditing and financial reporting. Mr. Schumann brings to the Board managerial, operational and financial expertise in the global energy industry. Based on his knowledge and experience, Mr. Schumann qualifies as an "audit committee financial expert."

UAP Holding Corp.
(2005-2008)

Skills and Qualifications:

Energy Industry

Other Public Company Directorships

Corporate Governance

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International Operations

MARY L. SHAFER-MALICKI

Director Since 2011

Committee Assignments:

From July 2007 until her retirement in March 2009, Ms. Shafer-Malicki, 55, was Senior Vice President and Chief Executive Officer of BP Angola, a subsidiary of BP p.l.c. ("BP"), an oil and natural gas exploration, production, refining and marketing company. Previously, she held several other executive leadership positions during her 25 year career with BP p.l.c. and its predecessor company, Amoco Corp. (which was acquired by BP in 1998), including Chief Operating Officer of BP Angola from January 2006 to June 2007, Director General of BP Vietnam, from 2003 to 2004, and various other international engineering and managerial positions. In addition to working with a number of non-profit organizations, Compensation Committee (Chair) and Governance Committee

Ms. Shafer-Malicki has also served as a director of Ausenco Limited, an Australian company providing engineering design, project management, process controls and operations solutions to a variety of industries, since January 2011, and as a director of John Wood Group PLC, a leading independent services provider for the oil and gas and power generation markets, since June 2012. Ms. Shafer-Malicki has a Bachelor of Science degree in Chemical Engineering from Oklahoma State University.

Current Public Company Directorships:

The Board of Directors is nominating Ms. Shafer-Malicki in consideration of her diverse experience in the upstream energy and supporting infrastructure businesses and her significant international operations experience, having served in executive and director roles for public companies in Europe, Asia Pacific and Africa. Ms. Shafer-Malicki's significant experience in international oil and gas provides valuable insight into McDermott's operations, strategy, commercial, safety, supply chain management and core customers.

Ausenco Limited (since 2011) — Audit Committee Chair and Nomination Committee

John Wood Group PLC (since 2012) — Nomination and Remuneration Committees, and Safety & Assurance Committee

Former Public Company Directorships:

None

Skills and Qualifications:

Energy/Oilfield Services Industry

Other Public Company Directorships

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DAVID A. TRICE

Director Since 2009

Committee Assignments:

Audit Committee

Current Public Company Directorships:

New Jersey Resources Corporation (since 2004) — Compensation, and Nominating and Governance Committee

QEP Resources, Inc. (since 2011) — Compensation Committee Chair, Nominating and Governance

Former Public Company Directorships:

Hornbeck Offshore Services, Inc. (2002-2011)

From February 2000 until his retirement in May 2009, Mr. Trice, 68, was President and Chief Executive Officer of Newfield Exploration Company, an oil and natural gas exploration and production company, and served as chairman of its board from September 2004 to May 2010. He previously served in several other key leadership positions at Newfield, including Vice President and Chief Financial Officer, Chief Operating Officer and President, and Vice President of Finance and International. Prior to his career at Newfield, Mr. Trice served as President and Chief Executive Officer of Huffco Group, Inc., from 1991 to May 1997. He began his career in 1973 as an attorney. Mr. Trice has also served as a director of New Jersey Resources Corporation, an energy company providing retail and wholesale services across the United States and Canada, since 2004, and as a director of QEP Resources, Inc., an energy company specialized in natural gas and oil exploration, since 2011. Mr. Trice has an Accounting and Management Services Degree from Duke University and a Juris Doctorate from Columbia University School of Law.

The Board of Directors is nominating Mr. Trice in consideration of his significant experience gained from serving in executive leadership and board positions at public companies within the oil and gas exploration and production business. With his extensive knowledge in the areas of accounting, auditing and financial reporting and his legal background, Mr. Trice offers the Board valuable insight on risk oversight, financial policy, executive compensation and corporate governance matters. Based on his knowledge and experience, he qualifies as an "audit committee financial expert."

Newfield Exploration Company (2000-2010)

Grant Prideco, Inc. (2003-2008)

Skills and Qualifications:

Energy/Oilfield Services Industry

Other Public Company Directorships

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Summary of Director Qualifications and Experience

Director Qualifications

Our Governance Committee has determined that a candidate for election to our Board of Directors must meet specific minimum qualifications. Each candidate should:

have a record of integrity and ethics in his/her personal and professional life;

have a record of professional accomplishment in his/her field;

be prepared to represent the best interests of our stockholders;

not have a material personal, financial or professional interest in any competitor of ours; and

be prepared to participate fully in Board activities, including active membership on at least one Board committee and attendance at, and active participation in, meetings of the Board and the committee(s) of which he or she is a member, and not have other personal or professional commitments that would, in the Governance Committee's sole judgment, interfere with or limit his or her ability to do so.

In addition, the Governance Committee also considers it desirable that candidates contribute positively to the

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collaborative culture among Board members and possess professional and personal experiences and expertise relevant to our business and industry. The Governance Committee solicits ideas for possible candidates from a number of sources, including independent director candidate search firms, members of the Board and our senior level executives.

The Board recognizes the benefits of a diversified board and believes that any search for potential director candidates should consider diversity as to gender, race, ethnic background and personal and professional experiences. Additionally, our Corporate Governance Guidelines provide that any independent director search firm retained to assist the Governance Committee in identifying director candidates shall seek to include diverse candidates in terms of race, ethnic background and gender.

Director Independence

The New York Stock Exchange ("NYSE") listing standards require our Board of Directors to be comprised of at least a majority of independent directors. In 2015, however, the Board amended our Corporate Governance Guidelines to require that, with the exception of the Chief Executive Officer, the Board be comprised entirely of independent directors. For a director to be considered independent, our Board must determine that the director does not have any direct or indirect material relationship with us. To assist it in determining director independence, and as permitted by NYSE rules then in effect, the Board previously established categorical standards which conform to, or are more exacting than, the independence requirements in the NYSE listing standards. These standards are contained in our Corporate Governance Guidelines, which can be found on our Web site at www.mcdermott.com under "INVESTORS — Corporate Governance."

Based on these independence standards, our Board of Directors has affirmatively determined that the following directors are independent and meet our categorical independence standards:

John F. Bookout, III	Gary P. Luquette
Roger A. Brown	William H. Schumann, III
Stephen G. Hanks	Mary L. Shafer-Malicki
Erich Kaeser	David A. Trice

In determining the independence of the directors, our Board considered ordinary course transactions between us and other entities with which the directors are associated, none of which were determined to constitute a material relationship with us. Messrs. Brown, Luquette, Kaeser, Schumann and Trice have no relationship with McDermott, except as a director and stockholder. Messrs. Bookout and Hanks and Ms. Shafer-Malicki are directors of entities with which we transact business in the ordinary course. Our Board also considered contributions by us to charitable organizations with which the directors were associated. No director is related to any executive or significant stockholder of McDermott, nor is any director, with the exception of Mr. Dickson, a current or former employee of McDermott.

Director Nominations

In 2015, our Governance Committee engaged Korn Ferry, an independent director search firm, in order to assist in selecting director candidates. After review and consideration of prospective candidates identified by Korn Ferry, Mr. Kaeser was appointed to the Board effective February 23, 2016 in consideration of his extensive experience in our industry and other qualifications.

Any stockholder may nominate one or more persons for election as one of our directors at the annual meeting of stockholders if the stockholder complies with the notice, information and consent provisions contained in our By-Laws. See “Stockholders’ Proposals” in this proxy statement and our By-Laws, which may be found on our

Web site at *www.mcdermott.com* at “INVESTORS — Corporate Governance.”

The Governance Committee will consider candidates identified through the processes described above and will evaluate the candidates, including incumbents, based on the same criteria. The Governance Committee also takes into account the contributions of incumbent directors as Board members and the benefits to us arising from their experience on the Board. Although the Governance Committee will consider candidates identified by stockholders, the Governance Committee has sole discretion whether to recommend those candidates to the Board.

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The Board's Role and Responsibilities

Overview

Our Board of Directors oversees, monitors and directs management in the long-term interests of McDermott and our stockholders.

The Board's key responsibilities include:

Establishing the appropriate "Tone at the Top"

Approving our long-term strategy and annual operating plan; monitoring performance and providing advice to management as a strategic partner

Choosing and monitoring performance of the CEO and establishing succession plans

Determining executive compensation

Interviewing and nominating director candidates and monitoring the board's performance

Determining risk appetite; setting standards for managing risk; monitoring risk management

Setting standards for and monitoring compliance; responding appropriately to "red flags"

Evaluating any proposed transaction that creates a seeming conflict between the best interests of stockholders and those of management

Setting standards for corporate social responsibility and monitoring compliance

Overseeing relations with governments, communities and other constituents

Reviewing corporate governance guidelines and committee charters

The Board's Role in Risk Oversight

As part of its oversight function, the Board is actively involved in overseeing risk management through our Enterprise Risk Management ("ERM") program, which includes periodic reporting through an area and corporate ERM structure. In connection with the ERM program, the Board exercises its oversight responsibility with respect to key external, strategic, operational and financial risks and discusses the effectiveness of current efforts to mitigate certain focus risks as identified by senior management and the Board through anonymous risk surveys.

Although the Board is ultimately responsible for risk oversight, the Board is assisted in discharging its risk oversight responsibility by the Audit, Compensation and Governance Committees. Each committee oversees management of risks, including, but not limited to, the areas of risk summarized below, and periodically reports to the Board on those areas of risk:

Committee	**Risk Oversight**
Audit	Oversees management of risks related to our financial statements and the financial reporting process
Compensation	Oversees management of risks related to our compensation policies and practices applicable to executives, as well as employees generally, employee benefit plans and the administration of equity plans
Governance	Oversees management of risks related to succession planning for the Chief Executive Officer and other members of executive management and our Ethics and Compliance Program (excluding responsibilities assigned to the Audit Committee)

At their respective November 2015 meetings, each committee undertook an assessment of those areas of risk oversight that were delegated to it and provided a report to the Board. Also, at its November 2015 meeting, the Board received an ERM report and performed an assessment and review of the risks described in that report that were not delegated to the committees.

Regarding risks relating to the design of our compensation programs, the Compensation Committee, with assistance from its independent compensation consultant, Pay Governance LLC, regularly reviews and assesses our compensation policies and practices to ensure that they are appropriate in terms of the level of risk-taking and in line with our business strategies and the interests of our stockholders. The Compensation Committee has designed our compensation programs to encourage performance focused on long-term stockholder value, promote company growth and allow for appropriate levels of risk-taking but to discourage excessive risk-taking. Based on the findings of the risk assessment performed at its November 2015 meeting, the Compensation Committee concluded that the risks arising from our compensation policies and practices are aligned with stockholders' interests and not reasonably likely to have a materially adverse impact on us.

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Shareholder Engagement

The Board oversees and is committed to ongoing stockholder dialogue on governance and compensation matters and places considerable weight on stockholder feedback in making decisions impacting our governance processes and compensation programs. In 2015, our Board engaged in a stockholder outreach program to discuss our stockholders' perspectives on our governance and compensation policies and practices. We reached out to stockholders representing approximately 40% of our outstanding common stock and conducted face-to-face meetings with holders of approximately 30%, which were led by either our independent Compensation Committee Chair or our independent Governance Committee Chair. This engagement process provided us with constructive shareholder feedback on governance and compensation topics, such as board refreshment, board evaluations, annual and long-term incentive programs and disclosure around our executive compensation programs.

The feedback received during the course of our outreach efforts was fully reported to and assessed by the Board and its relevant committees. The Board considered comments regarding our executive compensation program proxy disclosure. To address those comments, this proxy statement was re-designed and supplemented with enhanced and simplified disclosures on our executive compensation programs. Additional details as to our 2015 engagement effort and actions taken in response to stockholders' compensation-related comments are provided on pages 7 and 35 of this proxy statement. Stockholders were highly supportive of our corporate governance processes and were supportive of the Board's current tenure mix and commitment to director refreshment. In response to stockholder input received on our annual Board evaluation process, the Board has enhanced its current self-evaluation process. The Board will continue to seek shareholder input to systematically identify and proactively address important governance and compensation issues.

Board Refreshment

We are committed to a strong board refreshment process. As part of our commitment to board refreshment we impose a mandatory director retirement age of 72, require Committee Chairs to rotate after five years of service and annually review Committee composition and individual director skills and qualifications. Additionally, our Governance Committee, typically with the assistance of a third party search firm, identifies and considers new director candidates who have expertise that would complement and enhance the current board's skills and experience. As a result of this process, Erich Kaeser was appointed to our Board effective February 23, 2016. Our commitment to board refreshment has resulted in a Board with a well-balanced tenure, with three directors who have served three years or less, four directors who have served between four and seven years and two directors who have served eight years or more.

Board and Committee Evaluations

As required by our Corporate Governance Guidelines, our Board conducts an annual self-evaluation to determine whether it and its committees are functioning effectively. In accordance with its charter, the Governance Committee oversees that annual evaluation, solicits comments from all directors and reports annually to the Board with an assessment of the performance of the Board and its committees. This assessment is then discussed and taken into account by the full Board in executive session in its consideration of any appropriate action or response that might strengthen director communications and the overall effectiveness of Board and committee meetings.

Communications with the Board

Stockholders or other interested persons may send written communications to the independent members of our Board, addressed to Board of Directors (Independent Directors), c/o McDermott International, Inc., Corporate Secretary, 757 N. Eldridge Pkwy., Houston, Texas 77079.

Board Leadership Structure

Mr. Luquette has served as Chair of the Board since May 6, 2014. Our Board believes that it is appropriate for McDermott to have a Chair of the Board separate from the Chief Executive Officer, as this structure allows Mr. Dickson, McDermott's President and Chief Executive Officer, to maintain his focus on our strategic direction and the management of our day-to-day operations and performance, while Mr. Luquette is able to set the Board's agendas and lead the Board meetings.

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Executive Sessions

Our independent directors meet in executive session without management on a regular basis. Currently, Mr. Luquette, our Chair of the Board of Directors, serves as the presiding director for those executive sessions.

Board of Directors and its Committees

Our Board met 10 times during 2015. All directors serving on the Board during 2015 attended 75% or more of the meetings of the Board and of the committees on which they served during 2015. Additionally, with the exception of Mr. Schumann, all directors serving on the Board in 2015 attended our 2015 Annual Meeting.

Board Committees

Our Board currently has, and appoints the members of, standing Audit, Compensation and Governance Committees. Our Board's Finance Committee, which met 5 times in 2015, was dissolved effective November 1, 2015 as a result of our Board's unanimous decision that the Finance Committee no longer remained a necessary and appropriate committee of our Board since the matters reviewed by the Finance Committee were also generally reviewed in detail at the Board meetings held on or about the same date. Each standing Board committee is comprised entirely of independent nonemployee directors and has a written charter approved by the Board. The current charter for each standing Board committee is posted on our Web site at

www.mcdermott.com under "WHO WE ARE — Leadership — Board Committees." Attendance at committee meetings is open to every director, regardless of whether he or she is a member of the committee. Occasionally, our Board may convene joint meetings of certain committees and the Board. Each portion of the joint meeting is counted separately for purposes of the number of meetings of the Board and its committees disclosed in this proxy statement. The following table shows the current membership, the principal functions and the number of meetings held in 2015 for each committee:

AUDIT COMMITTEE

	Principal Functions and Additional Information
	Monitors our financial reporting process and internal control system.
	Oversees the integrity of our financial statements.
Committee Members: Mr. Schumann (Chair) Mr. Hanks Mr. Kaeser Mr. Trice	Monitors our compliance with legal and regulatory financial requirements, including our compliance with the applicable reporting requirements established by the U.S. Securities and Exchange Commission (the "SEC"). Evaluates the independence, qualifications, performance and compensation of our independent registered public accounting firm.
5 Meetings Held in 2015	

Oversees the performance of our internal audit function.

Oversees certain aspects of our Ethics and Compliance Program relating to financial matters, books and records and accounting and as required by applicable statutes, rules and regulations.

Provides an open avenue of communication among our independent registered public accounting firm, financial and senior management, the internal audit department and the Board.

Our Board has determined that Messrs. Trice, Hanks, Kaeser and Schumann each qualify as an "audit committee financial expert" within the definition established by the SEC. For more information on the backgrounds of those directors, see their biographical information under "Election of Directors" above.

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COMPENSATION COMMITTEE

Committee Members:	**Principal Functions and Additional Information**
Ms. Shafer-Malicki (Chair)	Oversees the design of our officer and director compensation plans, policies and programs.
Mr. Brown Mr. Luquette	Evaluates employee benefit plans.
6 Meetings Held in 2015	Approves and/or recommends to the Board for approval such officer and director compensation plans, policies and programs.
	Annually reviews and approves goals and objectives relevant to CEO compensation, evaluates (in coordination with the Governance Committee) the CEO's performance in light of those goals and objectives and sets the CEO's compensation based on that evaluation.
	Oversees our disclosures relating to compensation plans, policies and programs, including overseeing the preparation of the Compensation Discussion and Analysis included in this proxy statement.
	Acts in its sole discretion to retain or terminate any compensation consultant to be used to assist the Compensation Committee in the discharge of its responsibilities. For additional information on the role of compensation consultants, please see "Compensation Discussion and Analysis — How We Make Compensation Decisions" below.
	For 2015, the Compensation Committee authorized our Chief Executive Officer, in consultation with his direct reports, to establish individual goals under our Executive Incentive Compensation Plan ("EICP") for our other executive officers and key employees who participate in the EICP. All payments under the EICP are subject to Compensation Committee approval.
	Under our long term incentive plans, the Compensation Committee may delegate some of its duties to our Chief Executive Officer or other senior officers. The Compensation Committee has delegated certain authority to our Chief Executive Officer and Senior Vice President, Human Resources, for the approval of awards under the 2014 LTIP to new-hire, non-officer employees.
	Under the McDermott International, Inc. Director and Executive Deferred Compensation Plan, which we refer to as the "DCP," the Compensation Committee may delegate any of its powers or responsibilities to one or more members of the Committee or any other person or entity.

GOVERNANCE COMMITTEE

Committee Members / Meetings	Principal Functions and Additional Information
	Identifies individuals qualified to become Board members and recommends to the Board each year the director nominees for the next annual meeting of stockholders.
	Recommends to the Board the directors to serve on each Board committee.
	Develops, reviews and recommends to the Board any changes to our Corporate Governance Guidelines the Governance Committee deems appropriate in consideration of current and best practices.
Committee Members: Mr. Hanks (Chair) Mr. Bookout Mr. Brown Ms. Shafer-Malicki	Leads the Board in its annual review of the performance of the Board and its committees. Oversees the annual evaluation of our Chief Executive Officer (in conjunction with the Compensation Committee).
6 Meetings Held in 2015	Reviews and assesses the succession plan for the Chief Executive Officer and other members of executive management and reviews such plan with the Board periodically, and at least on an annual basis.
	Recommends to the Board the compensation of nonemployee directors.
	Serves as the primary committee overseeing our Ethics and Compliance Program, excluding certain oversight responsibilities assigned to the Audit Committee.
	Oversees our director and officer insurance program.

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Compensation Committee Interlocks and Insider Participation

All members of our Compensation Committee are independent in accordance with NYSE listing standards. No member of the Compensation Committee (1) was, during the year ended December 31, 2015, or had previously been, an officer or employee of McDermott or any of its subsidiaries, or (2) had any material interest in a transaction of McDermott or a business relationship with, or any indebtedness to, McDermott. No interlocking relationship existed during the year ended December 31, 2015 between any member of the Board of Directors or the Compensation Committee and an executive officer of McDermott.

Related Party Transactions

We have adopted a written Related Person Transaction Policy applicable to any individual transaction or series of related transactions, arrangements or relationships (including any indebtedness or guarantee of indebtedness) in which:

McDermott or any of its subsidiaries is, was or will be a participant;

any related person (as defined in the policy) has, had or will have a direct or indirect material interest; and

the amount involved exceeds $120,000.

This policy requires directors, director nominees and executive officers to provide written notice to the General Counsel ("GC") of any potential Related Person Transaction involving, directly or indirectly, him or her or any of his or her immediate family members. Additionally, each director, director nominee and executive officer must complete an annual questionnaire designed in part to elicit and evaluate information about potential related person transactions and any related person relationships. All related person transactions requiring compliance with the policy as determined by the GC must be presented to the Governance Committee for review, approval, ratification or other action. The Governance Committee will approve or ratify a related person transaction only if it determines that, under all of the circumstances, the transaction is not inconsistent with the best interests of McDermott. There were no such transactions found to be directly or indirectly material to a related person required by SEC rules to be disclosed in this proxy statement.

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Compensation of Directors

We did not make any changes to our nonemployee director compensation program in 2015.

Under our 2015 nonemployee director compensation program, cash compensation for nonemployee directors consisted of retainers (paid monthly and prorated for partial terms) and meeting fees as follows:

Annual Board Member Retainer	$75,000
Audit Committee Chair Retainer	$20,000
Compensation Committee Chair Retainer	$20,000
Governance Committee Chair Retainer	$10,000
Additional Retainer for Lead Director (if applicable)	$20,000
Additional Retainer for Chair of the Board	$150,000
Meeting fees for each meeting of the Board or a Committee (of which the non-employee director is a member) attended in excess of the twelfth Board or Committee meeting per annual director term	$2,500

The table below summarizes the compensation earned by or paid to our nonemployee directors during the year ended December 31, 2015.

Director Compensation Table

Name	**Fees Earned or Paid in Cash**	**Stock Awards (1)**	**Total**
John F. Bookout, III	$ 75,000	$ 119,999	$ 194,999
Roger A. Brown	$ 75,000	$ 119,999	$ 194,999
Stephen G. Hanks	$ 85,000	$ 119,999	$ 204,999
Gary P. Luquette	$ 225,000	$ 119,999	$ 344,999
William H. Schumann, III	$ 95,000	$ 119,999	$ 214,999
Mary L. Shafer-Malicki	$ 95,000	$ 119,999	$ 214,999
David A. Trice (2)	$ 83,333	$ 119,999	$ 203,332

(1) Under our 2015 director compensation program, equity compensation for nonemployee directors included a discretionary annual stock grant. On May 14, 2015, each of the nonemployee directors then serving as a director received a grant of 24,742 shares of restricted stock valued at $119,999, which is the aggregate grant date fair value computed in accordance with Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") Topic 718, using the closing market price of McDermott common stock on the date of grant ($4.85). Under the terms of each award, the restricted stock vested immediately on the grant date and immediately became unrestricted shares of McDermott common stock. For a discussion of the valuation assumptions with respect to these awards, see Note 13 to our consolidated financial statements included in our annual report on Form 10-K for the year ended December 31, 2015.

As of December 31, 2015, nonemployee directors had aggregate outstanding stock option awards as follows: Mr. Bookout – stock options to purchase 6,105 shares; and Mr. Brown – stock options to purchase 3,488 shares. All of *such stock options were fully vested.*

(2) *Mr. Trice served as Chair of the Finance Committee prior to its dissolution effective November 1, 2015. The additional retainer he received as Chair of the Finance Committee was $10,000, prorated for his partial year service.*

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Executive Officer Profiles

The following profiles provide the relevant experience, age and tenure with McDermott as of April 29, 2016 of our Chief Executive Officer, Chief Financial Officer and other executive officers currently employed by McDermott.

David Dickson, President and Chief Executive Officer

Age: 48 | Tenure: 2 years

Mr. Dickson has served as a member of our Board of Directors and as President and Chief Executive Officer since December 2013, prior to which he served as our Executive Vice President and Chief Operating Officer from October 2013. Mr. Dickson has over 24 years of offshore oilfield engineering and construction business experience, including 11 years of experience with Technip S.A. ("Technip") and its subsidiaries. From September 2008 to October 2013, he served as President of Technip U.S.A. Inc., with oversight responsibilities for all of Technip's North American operations. In addition to being the President of Technip U.S.A. Inc., Mr. Dickson also had responsibility for certain operations in Latin America, including Mexico, Venezuela, Colombia and the Caribbean. Mr. Dickson also supported the Technip organization by managing key customer accounts with international oil companies based in the United States.

Stuart Spence, Executive Vice President and Chief Financial Officer

Age: 46 | Tenure: 19 months

Mr. Spence has served as McDermott's Executive Vice President and Chief Financial Officer since August 2014. Mr. Spence has approximately 19 years of combined financial and operational management experience with companies in the oilfield products and services and engineering and construction businesses. Immediately prior to joining McDermott, Mr. Spence served as Vice President, Artificial Lift for Halliburton Company, where he had overall strategic and operational responsibility for Halliburton's artificial lift product and service line. Previously, he served as Senior Director, Strategy and Marketing for Halliburton's Completion and Production Division. Mr. Spence joined Halliburton following Halliburton's acquisition of Global Oilfield Services Inc. in November 2011. He served as Executive Vice President and Chief Financial Officer of Global Oilfield Services from 2008 to May 2011 and as Executive Vice President, Strategy, in May 2011 in connection with the sale to Halliburton. His prior experience also includes positions of increasing financial and management responsibility at: Green Rock Energy, LLC; and Vetco International Ltd. (holding company for Aibel Ltd., an oilfield facilities maintenance and construction company, and Vetco Gray, Inc., a subsea production and drilling equipment company).

Steve Allen, Senior Vice President, Human Resources

Age: 63 | Tenure: 2 years

Mr. Allen has served as our Senior Vice President, Human Resources since March 2014. Previously, he served as the Senior Vice President, Human Resources for Technip USA in Houston, Texas, from August 2005 until January 2014. Mr. Allen has more than 25 years of human resources experience in the oil and gas, utility and engineering and construction industries, including leadership roles in compensation, benefits, talent acquisition, talent management and real estate management. Prior to joining Technip in 2005, Mr. Allen held the position of General Manager, Human Resources for Duke Energy in Cincinnati, Ohio.

Liane Hinrichs, Senior Vice President, General Counsel and Corporate Secretary

Age: 57 | Tenure: 17 years

Ms. Hinrichs has been our Senior Vice President, General Counsel and Corporate Secretary since October 2008. Previously, she served as our: Vice President, General Counsel and Corporate Secretary from January 2007 to September 2008; Corporate Secretary and Associate General Counsel, Corporate Compliance and Transactions from January 2006 to December 2006; Associate General Counsel, Corporate Compliance and Transactions, and Deputy Corporate Secretary from June 2004 to December 2005; Assistant General Counsel, Corporate Secretary and Transactions from October 2001 to May 2004; and Senior Counsel from May 1999 to September 2001. Prior to joining McDermott in 1999, she was a partner in a New Orleans law firm.

Jonathan Kennefick, Senior Vice President, Project Execution and Delivery

Age: 47 | Tenure: 24 years

Mr. Kennefick has served as our Senior Vice President, Project Execution and Delivery, since November 2015. Mr. Kennefick joined McDermott in 1992, and has served in various positions of increasing responsibility, including: Vice President of Quality, Health, Safety, Environment and Security, from March 2014 to November 2015; Vice President, Operations—Middle East and India, from May 2012 to March 2014; Director of Operations, from June 2010 to May 2012; and General Manager, Marine Operations, from March 2008 to June 2010.

Brian McLaughlin, Senior Vice President, Commercial

Age: 45 | Tenure: 8 years

Mr. McLaughlin has served as McDermott's Senior Vice President, Commercial, since September 2015. Previously, he served as our VP Commercial, Offshore, from 2014 to September 2015; General Manager, Business Development—Middle East and India, from 2010 to 2014; Senior Director, Business Development—Middle East and India, from 2008 to 2010; and, Proposals Manager, Middle East, from 2006 to 2008. Prior to joining McDermott, Mr. McLaughlin held roles of increasing responsibility at Al Faris, Abu Dhabi, ALE Middle East and Weir Pumps.

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Corporate Governance

Linh Austin, Vice President, Middle East

Age: 46 | Tenure: 16 months

Mr. Austin has served as our Vice President and General Manager, Middle East since January 2016 and, previously, as our Senior Director Operations, Middle East since January 2015. Mr. Austin has over 20 years of executive and operational experience in the oil and gas industry, including two years in the Middle East with BP. Prior to joining McDermott, he served as: Senior Advisor for Abu Dhabi Marine Operating Company (ADMA-OPCO) from August 2013 until January 2015; Commercial Project General Manager for BP from July 2012 to August 2013; Director of Planning & Resources Unit Leader for BP from 2009 to 2012; President and CEO of Point Energy Group from 2007 to 2010; Global Strategy and IM Director for BP from 2004 to 2007; and Business Unit Chief of Staff, Project and Operations Management for BP and ARCO from 1993 to 2004.

Hugh Cuthbertson, Vice President, Asia

Age: 58 | Tenure: 38 years

Mr. Cuthbertson has served as our Vice President, Asia since April 2014. Mr. Cuthbertson joined McDermott in 1978, and has held positions of increasing responsibility in business development, project management and regional responsibility. Previously, he served as our: Vice President and General Manager, Asia Pacific, from April 2014 to January 2015; Senior Director, Operations, McDermott Australia Pty. Ltd. ("MAP"), from July 2013 to March 2014; Senior Director, Business Development, MAP, from March 2012 to July 2013; and Managing Director, MAP, from May 2009 to March 2012.

Kelly Janzen, Vice President, Finance and Chief Accounting Officer

Age: 43 | Tenure: 16 months

Ms. Janzen has served as our Vice President, Finance and Chief Accounting Officer since May 2015, and previously as our Vice President, Finance and Corporate Controller since December 2014. Prior to joining McDermott, she served as: Distributed Power Global Controller, General Electric Company ("GE"), from April 2013 to November 2014; Operational Controller, Global Growth and Operations, GE, from August 2011 to April 2013; Global Assistant Controller, GE Healthcare, from August 2010 to August 2011; Americas Controller, GE Healthcare, from March 2007 to August 2010; and other positions of increasing responsibility since she joined GE in February 2002.

Scott Munro, Vice President, Americas, Europe and Africa

Age: 41 | Tenure: 2 years

Mr. Munro has served as our Vice President, Americas, Europe and Africa, since January 2015. Previously, he served as our Vice President and General Manager, North Seas and Africa, from April 2014 to January 2015; and Vice President, Projects and Operations Subsea, from the time he joined McDermott in January 2014 through March 2014. Prior to joining McDermott, Mr. Munro was Vice President, Commercial, for Technip U.S.A. Inc., a subsidiary of

Technip, from 2010 to 2013; and Vice President Offshore Unit, Technip France, an operating unit of Technip, from 2013 to 2014. Mr. Munro has management experience in the oil and gas industry, having worked in the United Kingdom, United States, Canada, Brazil and France in a variety of operational and project management roles in organizations such as Coflexip Stena Offshore Group S.A., Acergy, S.A., Chevron Corporation and Technip.

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EXECUTIVE COMPENSATION

Item 2 – Advisory Vote to Approve Named Executive Officer Compensation

We are asking our stockholders to vote on an advisory basis to approve the compensation of our NEOs (sometimes referred to as "say on pay") in accordance with Section 14A(a)(1) of the Securities Exchange Act of 1934. The Board recommends a vote "FOR" this proposal because it believes that our compensation policies and practices are effective in achieving McDermott's philosophy of providing compensation that:

attracts, motivates and retains well-qualified executives;

provides performance-based incentives to reward achievement of short and long term business goals and strategic objectives while recognizing individual contributions; and

aligns the interests of our executives with those of our stockholders.

For the reasons discussed in the "Compensation Discussion and Analysis," accompanying compensation tables and related narrative disclosures in this proxy statement, the Board of Directors unanimously recommends that stockholders vote "FOR" the following resolution:

"RESOLVED, that the compensation paid to the NEOs, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and accompanying narrative discussion in McDermott's proxy statement relating to its 2016 annual meeting of stockholders, is hereby APPROVED."

While the resolution is non-binding, the Board of Directors and Compensation Committee will consider the outcome of the vote when making future compensation decisions.

Our Board of Directors recommends that stockholders vote "FOR" the advisory vote to approve named executive officer compensation.

Compensation Discussion & Analysis

Introduction

The following Compensation Discussion and Analysis, or CD&A, provides information relevant to understanding the 2015 compensation of our executive officers and former executive officers identified in the Summary Compensation Table, whom we refer to as our NEOs. "Continuing NEOs", as used in the CD&A, includes only the Named Executive Officers who remained employed in their same position with McDermott through the date of this proxy statement. For 2015, our Continuing NEOs and their respective titles were as follows:

David Dickson, our President and Chief Executive Officer;

Stuart A. Spence, our Executive Vice President and Chief Financial Officer;

Stephen L. Allen, our Senior Vice President, Human Resources;

Liane K. Hinrichs, our Senior Vice President, General Counsel and Corporate Secretary; and

Hugh J. Cuthbertson, our Vice President, Asia.

The following discussion also contains statements regarding future individual and company performance targets and goals. These targets and goals are disclosed in the limited context of our compensation programs and should not be understood to be statements of management's expectations or estimates of results or other guidance. We caution investors not to apply these statements in other contexts.

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Executive Compensation

CD&A Executive Summary

About our Business, the Macro Environment and our Compensation Philosophy

McDermott is a leading provider of integrated engineering, procurement, construction and installation services for offshore and subsea oil and gas field developments worldwide. We deliver fixed and floating production facilities, pipelines and subsea systems, from concept to commissioning to customers including national oil companies and international and independent oil companies. McDermott generally has 40 or fewer active contracts at any given time, which typically span a duration of one to three years, are performed in a variety of jurisdictions, and which may individually range from less than $50 million to more than $2 billion in total contract value. We execute our contracts through a variety of methods, with fixed-price contracts being the most prevalent. These contracts are often performed in difficult conditions, and the cost and gross profit we realize on these contracts could vary materially from the estimated amounts because of supplier, contractor and subcontractor performance, changes in job conditions, unanticipated weather conditions, variations in labor and equipment productivity, increases in the cost of raw materials over the term of the contract or our own performance.

The demand for our EPCI services and our ability to book new work is dependent upon the capital expenditures of oil and gas companies for the construction of development projects. Since the start of the material decline in oil and natural gas prices over 18 months ago, many oil and gas companies have announced significant reductions in their capital expenditure budgets, and have continued to reprioritize and defer work as they evaluate project economics. This has resulted in the delay of project awards from those customers and increased competition to McDermott, as competitors compete to secure a more limited number of available projects. Building backlog and booking new work at appropriate margins has been one of McDermott’s key strategies in this challenging macro environment.

The Compensation Committee is committed to targeting reasonable and competitive total direct compensation for our NEOs, with a significant portion of that compensation being performance-based. Our compensation programs are designed to drive achievement of our business strategies and provide competitive opportunities; accordingly, achievement of most of those opportunities depends on the attainment of performance goals and/or stock price performance. McDermott’s compensation programs are designed to provide compensation that:

attracts, motivates and retains high-performing executives;

provides performance-based incentives to reward achievement of short and long-term business goals and strategic objectives while recognizing individual contributions; and

aligns the interests of our executives with those of our stockholders.

The Compensation Committee has designed and administered compensation programs aligned with this philosophy and is committed to continued outreach to stockholders to understand and address comments on our compensation programs.

2015 Elements of Compensation and Operating Strategies

Reflecting this philosophy, compensation arrangements in 2015 provided for the continuing use of three elements of target total direct compensation, for the primary purposes as set forth below:

Annual Base Salary	Fixed cash compensation recognizing an executive officer's experience, skill and performance
Annual Incentive, or EICP	Variable compensation designed to reward achievement of short-term business goals and strategic objectives, while recognizing individual contributions
Long-Term Incentive, or LTI	Variable compensation designed to align interests of executives with those of our stockholders with a focus on long-term performance results

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Executive Compensation

The mix of target total direct compensation for 2015 for our CEO is shown in the chart below:

Following Mr. Dickson becoming Chief Executive Officer in December 2013 and the significant turnaround efforts in 2014, McDermott commenced 2015 against the background of a challenging and deteriorating macro oil and gas environment. In 2015, we were focused on the seamless execution of our operating strategy — to drive a sustainable, profitable and growth-oriented business, with a focus on stockholders, customers and other stakeholders. In furtherance of this strategy, our 2015 goals were to:

increase operating income via improved project execution;

increase cash flow by prioritizing our liquidity needs;

increase backlog and bookings to support our future business;

promote pricing discipline on order intake operating margins; and

implement the McDermott Profitability Initiative ("MPI"), our plan focused on increasing profitability and operational flexibility.

Accordingly, McDermott's 2015 compensation programs utilized metrics that were directly related to these strategies as reflected by the components of the EICP and LTI awards adopted by the Compensation Committee.

Annual Incentive (see page 37)

2015 Components	**Comments**
25% Operating Income Promotes improved project execution	Continued use of this metric in 2015 to incentivize increased operational income, which improves shareholder returns, and reflects improvements in project execution, which also improves customer relations and may lead to increased bookings and improved margins – all critical during a challenging market environment
25% Free Cash Flow Prioritizes liquidity needs of McDermott	Continued use of this metric in 2015 to incentivize increased cash flows, which supports increased liquidity goals intended to help us in the challenging macro market, as well as to provide project financing as required until certain contractual milestones are met
30% Order Intake Incentivizes increasing backlog and booking new work	Continued use of this metric in 2015, but with the weighting increased to 30% from 25% in 2014 in consideration of: the importance of booking new work for the sustainability of the business over the short and long-term, and the macro market and the need to secure work in a more competitive environment
20% Order Intake Operating Margin Promotes pricing discipline on order intake	Continued use of this metric in 2015, but with the weighting decreased to 20% from 25% in 2014 in consideration of the macro market and the need to secure work in a more competitive environment

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Executive Compensation

Annual Incentive (see page 37)

2015 Components	Comments
MPI Modifier Incentivizes achievement of goals relating to MPI	Introduced in 2015 to incentivize operational efficiency and enhance operating income, cash flows and operating income margins, ultimately increasing profitability and operational flexibility

Long-Term Incentive (see page 39)

2015 Components	Comments
50% Performance Units	Increased weighting of Performance Units to 50% from 40% in 2014 to focus employees on improved McDermott performance during a challenging macro market and further align employees with stockholders
3-year Aggregate Consolidated Order Intake	Introduced 3-year aggregate consolidated order intake as metric to directly align LTI awards with McDermott's strategy of increasing backlog and booking new work for the sustainability of the business over the short and long-term in a difficult macro environment Order intake operating margin targets established for 2015 assist in calibrating and promoting pricing discipline on these order intake goals
50% Restricted Stock Units	Continued use in 2015, but with the weighting of RSUs decreased to 50% in 2015 from 60% in 2014 in order to increase the proportion of the NEOs' compensation that is performance-based and further align the interests of our NEOs with stockholders

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Executive Compensation

2015 Performance Highlights

Following Mr. Dickson becoming Chief Executive Officer in December 2013, and reflecting the execution of our operating strategy, McDermott's financial performance was as follows for the periods presented below:

MDR Financial Performance
2013–2015

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Executive Compensation

As evidenced by the results above, following Mr. Dickson's appointment as President and Chief Executive Officer in December 2013, McDermott's financial performance has improved significantly. Total shareholder return ("TSR") for McDermott was 15% for 2015, as compared to our Proxy Peer Group's median TSR of approximately -33%. Operating income for 2015 of $91.2 million exceeded our 2014 operating income by $82.6 million and 2013 operating income by $547.9 million. Order intake of $3.7 billion in 2015 exceeded the amount of order intake for 2013 and 2014 combined and assisted in achieving year-end 2015 backlog of $4.2 billion, a $600 million increase over year-end 2014. In evaluating the performance of Mr. Dickson, the Board has considered these performance improvements, as well as other financial and leadership goals, and believes that Mr. Dickson has succeeded on all of these fronts since joining McDermott in late 2013, leading to a stronger, more durable business, particularly during a difficult business cycle and extended challenging macro environment.

As a further reflection of our improving performance, McDermott achieved financial results under the EICP that resulted in a financial metric result of 1.065x, which when multiplied by the MPI Modifier of 1.330x, resulted in total EICP bonus pool funding of 1.417x:

Weight	Financial Metric Performance Goal	Actual Result	Funding Multiple
25%	Operating Income	$91.2M	2.000x
25%	Free Cash Flow	($47.6M)*	1.071x*
30%	Order Intake	$3,700.7M	0.621x
20%	Order Intake Operating Margin**	7.3%	0.557x

* *Actual result for free cash flow was ($47.6M), which would have resulted in a funding multiple of 2.0x for this metric under the EICP. However, such result was reduced by the Compensation Committee in determining the funding multiple for this metric to ($250.4M), or a funding multiple of 1.071x, in consideration of the slippage in the delivery schedule of our vessel under construction, the DLV 2000, resulting in delay of our final shipyard payment until 2016.*

** *Due to the nature of our business, forward-looking Order Intake Operating Margin goals are competitively sensitive and unable to be disclosed, although at this time we are able to disclose those goals and actual results after the end of the applicable performance period.*

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Executive Compensation

Target versus Realized Values of CEO Compensation

The Compensation Committee is committed to targeting reasonable and competitive direct compensation for our NEOs. Because a significant portion of our NEOs' compensation is performance-based, the target values established may vary substantially from the actual pay that may be realized.

The Compensation Committee generally targets total direct compensation within approximately 15% of the median compensation of our market for comparable positions. As a reflection of this, Mr. Dickson's target total direct compensation for 2015 was approximately 95% of median market compensation.

The following table summarizes target values for Mr. Dickson's compensation, as compared to realized values as of December 31, 2013, 2014 and 2015:

(1) *Target amount for 2013 included (i) the partial-year annual base salary earned by Mr. Dickson from his date of hire through 12/31/13, (ii) a $480,000 sign-on bonus that Mr. Dickson received to compensate him for benefits from his former employer that he was foregoing by joining McDermott and (iii) a one-time grant of restricted stock with a grant date fair value of approximately $3.8 million intended to compensate him for the forfeiture of equity-based incentives from his former employer. Target amounts for 2014 and 2015 included Mr. Dickson's target EICP award and the grant date fair values of long-term incentives awarded in 2014 and 2015.*

(2) *Realized amounts for all years include the amount of annual base salary earned. Realized amounts for 2013 include the sign-on bonus referred to in note (1) above. Realized amounts for 2014 and 2015 include the actual EICP awards earned in each year, as well as the value of long-term incentive awards granted in prior years, to the extent that those amounts vested in the applicable year, based on the closing price of our common stock on the date that they vested.*

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Executive Compensation

The Compensation Committee will continue to consider the outcome of our say-on-pay votes when making future compensation decisions for the NEOs. The Compensation Committee expects to continue to hold the advisory vote to approve NEO compensation every year.

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Executive Compensation

2016 Compensation Decisions

As part of its annual process, in February 2016 the Compensation Committee approved the 2016 compensation plan design for our senior management, including the Continuing NEOs. These decisions took into consideration McDermott's operating strategy, the macro oil and gas environment, comments received during the stockholder and other stakeholder outreach efforts in 2015, evolving practices in executive compensation and the advices of our compensation consultant, Pay Governance LLC. After consideration of these inputs, no increase was provided to any Continuing NEO annual base salary. For annual incentives, or EICP awards, no increase in target EICP award was provided for any Continuing NEO, and the Compensation Committee continued the use, for the third consecutive year, of operating income, free cash flow, order intake and order intake operating margin as financial metrics, intended to drive McDermott's operating strategy. For long-term incentives, or LTI awards, the Compensation Committee continued the use of 50% restricted stock units and 50% performance units. The performance units awarded in 2016 returned to a relative metric, and are based on the achievement of relative Return on Average Invested Capital against a competitor peer group, comprised of both domestic and international competitors. Additionally, the Compensation Committee generally sought in 2016 to provide the same number of units to participants in our LTI program as awarded in 2015, absent any changes in target value of LTI awards. This was accomplished by utilizing the fair market value of McDermott common stock on March 5, 2015, the date of 2015 LTI awards, to determine the number of units to be awarded in 2016. Due to the decrease in the price of McDermott common stock, this resulted in a year over year decrease in the grant date fair value of LTI awarded to the Continuing NEOs, with the exception of Mr. Spence, who received an increase to the target value of his LTI award for 2016. For Mr. Dickson, the Compensation Committee also decreased the target value of his LTI award from $5,000,000 in 2015 to $4,000,000 in 2016, which when combined with the method of determining units to be awarded in 2016 referenced above, resulted in a year over year decrease in the grant date fair value of Mr. Dickson's LTI award.

Executive Compensation Policies and Practices

Below we highlight certain of our executive compensation and governance policies and practices, including both those which we utilize to drive performance and those which we prohibit because we do not believe they would serve our stockholders' long-term interests:

Policy or Practice	MDR Policy
Pay for Performance	A significant portion of target total direct compensation is tied to performance, including 100% of annual incentive compensation and 50% of the NEOs' target value long-term incentive compensation.
Meaningful Stock Ownership Guidelines	We have stock ownership guidelines for our NEOs that require the retention of a dollar value of qualifying McDermott securities of 5x base salary for our CEO, 3x base salary for the other NEOs and 5x annual retainer for directors.
Double Trigger Change in Control Agreements	Our change in control agreements provide benefits only upon an involuntary termination or constructive termination of the executive officer within one year following a change in control.
Annual Compensation Risk Assessment	Our compensation consultant assists the Compensation Committee in conducting an annual risk assessment of our compensation programs.
Annual Advisory Vote on NEO Compensation	We value our stockholders' input on our executive compensation programs, and our Board of Directors seeks an annual advisory vote from stockholders to approve NEO compensation.

Modest Perquisite Allowance	In 2015, we provided a modest perquisite allowance to certain of our executive officers. In 2016, the Compensation Committee eliminated the perquisite allowance and instead provided reimbursement to members of McDermott's EXCOM for financial planning and required executive physicals, in a combined amount not to exceed $20,000.
Annual Review of Share Utilization	We evaluate share utilization levels annually by reviewing overhang levels (the dilutive impact of equity compensation on our stockholders) and annual run rates (the aggregate stock awarded as a percentage of total outstanding shares).
Independent Compensation Consultant	The Compensation Committee retains an independent compensation consultant to advise on executive compensation program and practices.
Clawback Policy	We have a clawback policy that allows McDermott to recover, under certain circumstances, compensation paid to executive officers.
Derivatives Trading, Hedging or Pledging of Company Stock	Members of the Board of Directors and employees are prohibited from engaging in derivatives trading, hedging or pledging of our common stock.
Excise Tax Gross-Ups	We do not provide excise tax gross-ups in our change in control agreements.
Repricing of Underwater Stock Options	Our equity incentive plans do not permit repricing or exchange of underwater stock options without stockholder approval.
Employment Contracts	None of our current NEOs has an employment contract with McDermott relating to ongoing employment.

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Executive Compensation

2015 Compensation Program

Compensation Philosophy

The Compensation Committee is committed to targeting reasonable and competitive total direct compensation for our NEOs, with a significant portion of that compensation being performance-based. Our compensation programs are designed to address business needs and provide competitive opportunities, but achievement of most of those opportunities depends on the attainment of performance goals and/or stock price performance. McDermott's compensation programs are designed to provide compensation that:

attracts, motivates and retains high-performing executives;

provides performance-based incentives to reward achievement of short and long-term business goals and strategic objectives while recognizing individual contributions; and

aligns the interests of our executives with those of our stockholders.

The Compensation Committee has designed and administered compensation programs aligned with this philosophy.

What We Pay and Why: Elements of Total Direct Compensation

Target Total Direct Compensation

The Compensation Committee seeks to provide reasonable and competitive compensation. As a result, it targets the elements of total direct compensation, or "TDC," for our NEOs generally within approximately 15% of the median compensation of our market for comparable positions. Throughout this CD&A, we refer to compensation that is within approximately 15% of market median as "market range" compensation.

The Compensation Committee may set TDC or individual elements of TDC above or below the market range to account for a NEO's performance, experience, tenure in the role, internal pay equity and other factors or situations that are not typically captured by looking at standard market data and practices and which the Compensation Committee deems relevant to the appropriateness and/or competitiveness of a NEO's compensation.

When making decisions regarding individual compensation elements, the Compensation Committee also considers the effect on the NEO's target TDC and target total cash-based compensation (annual base salary and annual incentives), as applicable. The Compensation Committee's goal is to establish target compensation for each element that, when combined, create a target TDC award for each NEO that is reasonable and competitive and supports our compensation philosophy and objectives.

Elements of Total Direct Compensation

Total direct compensation is comprised of three elements: annual base salary, annual incentive, and long-term incentives.

Annual Base Salary

We pay base salaries to provide a fixed level of compensation that helps attract and retain executives. Base salary levels recognize an executive officer's experience, skill and performance, with the goal of being market competitive based on the officer's role and responsibilities within the organization. Adjustments may be made based on individual performance, inflation, pay relative to market and internal pay equity considerations. No NEO received an increase in annual base salary in 2015.

Annual Incentive

The Compensation Committee administers our annual incentive compensation program under our Executive Incentive Compensation Plan, or EICP. The EICP is a cash incentive plan designed to motivate and reward our NEOs and other key employees for their contributions to strategic business goals and other factors that we believe drive our earnings and promote creation of stockholder value. In 2015, EICP bonus pool funding was 100% based on our financial performance, with each participant's actual bonus award determined by achievement of the participant's individual performance goals.

Financial Performance Goals. For 2015 EICP awards, the Compensation Committee approved financial metric performance goals based on consolidated operating income, consolidated free cash flow (defined as consolidated cash from operations less consolidated capital expenditures), order intake and operating margins on order intake, weighted as set forth below. McDermott established the 2015 financial performance goals with consideration of management's internal projections of 2015 financial results.

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Executive Compensation

Weight	Financial Metric Performance Goal	Reason Metric Selected	Performance Level	Business Result Goal	Funding Multiple
			Threshold	$40M	0.5x
25%	Operating Income	Reflects execution performance	Target	$53M	1.0x
			Maximum	$67M	2.0x
			Threshold	$(320)M	0.5x
25%	Free Cash Flow	Prioritizes liquidity needs of the Company	Target	$(255)M	1.0x
			Maximum	$(190)M	2.0x
			Threshold	$3,000M	0.5x
30%	Order Intake	Forward-looking leading indicator to drive future performance	Target	$5,900M	1.0x
			Maximum	$6,500M	2.0x
			Threshold	7%	0.5x
20%	Order Intake Operating Margin*	Promotes pricing discipline on order intake	Target	10%	1.0x
			Maximum	12%	2.0x

* *Due to the nature of our business, forward-looking Order Intake Operating Margin Threshold, Target and Maximum business goals are competitively sensitive and unable to be disclosed, although at this time we are able to disclose such goals after the end of the applicable performance period.*

McDermott's actual performance against the stated goals determines the funding for each financial performance goal, with the weighted sum of each funding multiple determining the financial metric result. The financial metric result is then adjusted by a factor, the MPI Modifier, based on McDermott's achievement of established goals relating to the McDermott Profitability Initiative, a plan implemented to increase our profitability and operational flexibility. The MPI Modifier is determined as follows:

Performance Goal	Performance Level	Business Result Goal	MPI Modifier
2015 Operating	≤ Threshold	$30M	0.67x
Income Savings	= Target	$40M	1.0x
Attributable to MPI	≥ Maximum	$50M	1.33x

2015 Financial Performance Results Under the EICP. McDermott's actual 2015 financial performance results against the stated performance goals under the EICP were as follows:

Weight	Financial Metric Performance Goal	Actual Result	Funding Multiple
25%	Operating Income	$91.2M	2.000x
25%	Free Cash Flow	($47.6M)*	1.071x*
30%	Order Intake	$3,700.7M	0.621x
20%	Order Intake Operating Margin**	7.3%	0.557x

* *Actual result for free cash flow was ($47.6M), which would have resulted in a funding multiple of 2.0x for this metric under the EICP. However, such result was reduced by the Compensation Committee in determining the*

funding multiple for this metric to ($250.4M), or a funding multiple of 1.071x, in consideration of the slippage in the delivery schedule of our vessel under construction, the DLV 2000, resulting in delay of our final shipyard payment until 2016.

** *Due to the nature of our business, forward-looking Order Intake Operating Margin goals are competitively sensitive and unable to be disclosed, although at this time we are able to disclose those goals and actual results after the end of the applicable performance period.*

Additionally, our 2015 operating income savings attributable to MPI were approximately $115M, exceeding the maximum performance level business result goal of $50M by approximately 130%.

Accordingly, the financial metric result of 1.065x, when multiplied by the MPI Modifier of 1.330x, resulted in total EICP bonus pool funding multiple of 1.417x:

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Executive Compensation

Accordingly, each Continuing NEO was eligible to earn 1.417x of his or her target EICP award, subject to modification by the Compensation Committee based on his or her achievement of individual performance goals.

Individual Performance Goals. Following the determination of the EICP bonus pool funding multiple, an individual participant's award was determined based on the achievement of the participant's individual performance goals. In no event could any NEO's annual bonus exceed two times his or her target EICP award opportunity. The Compensation Committee had the discretion to reduce the amount of payout to any participant, even if performance goals were achieved. The Continuing NEOs' respective individual goals considered in connection with 2015 EICP compensation are set forth under "2015 NEO Compensation" below.

Long-Term Incentives

The Compensation Committee believes that the interests of our stockholders are best served when a significant percentage of executive compensation is comprised of equity that appreciates in value contingent on increases in the value of our common stock and other performance measures that reflect improvements in McDermott's business fundamentals. Therefore, LTI compensation represents the single largest element of our NEOs' total direct compensation. The Compensation Committee increased the performance-based component of LTI to 50% in 2015 from 40% in 2014, and allocated LTI compensation to executive officers, including the NEOs, as follows:

Performance Units	**Restricted Stock Units**
50%	50%

Performance Units. Performance units are intended to align the NEOs' interests with those of our stockholders, with a focus on long-term results. The performance units awarded in 2015 are structured to be paid out, if at all, in shares of McDermott common stock, cash equal to the fair market value of the shares otherwise deliverable, or any combination thereof, at the sole discretion of the Compensation Committee, at the end of a three-year performance period, to the extent the applicable performance goals are met. The number of performance units earned is based on our aggregate consolidated order intake over the three-year performance period. Based on this performance, up to 200% of a participant's target award may be earned. Aggregate consolidated order intake was used as the performance metric for the performance units granted in 2015, as the Compensation Committee believed that this metric tied specifically to our strategy of building backlog as required for a sustainable business in the long-term.

Performance Level	**Aggregate Consolidated 3 Year Order Intake**	**Award Percentage**
< Threshold	< $7.5B	0%
Threshold	$7.5B	50%
Target	$9.0B	100%
Maximum	≥ $12.0B	200%

Restricted Stock Units. Restricted stock units, or RSUs, are intended to promote the retention of employees, including the NEOs. The RSUs granted in 2015 generally vest in one-third increments on the first, second and third anniversaries of the grant date. The RSUs may be paid out in shares of McDermott common stock, cash equal to the fair market value of the shares otherwise deliverable, or any combination thereof, at the sole discretion of the Compensation Committee.

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Executive Compensation

2015 NEO Compensation

For 2015 NEO compensation, the Compensation Committee provided:

No increases in annual base salaries.

No increases in annual target bonus. As a result of McDermott's 2015 financial performance, each Continuing NEO was eligible to earn 1.417x of his or her target EICP award, subject to adjustment by the Compensation Committee based on his or her achievement of individual performance goals.

Modifications to the value of long-term incentives awarded, as compared to 2014, based on individual performance and internal pay equity considerations.

The compensation of each NEO is discussed in more detail below.

David Dickson	**2015 Individual Performance Goals:**	**2015 Individual Performance Results:**
	Financial – Deliver financial performance in line with forecast, with a focus on building backlog, and deliver cost savings under the McDermott Profitability Initiative	
President and Chief Executive Officer **Age**: 48	*Strategic* – Evaluate and set McDermott's strategy and vision for both near-term and long-term objectives	
McDermott Tenure: 2 years 6 months	*QHSES* – Continue focus on QHSES statistics, with increased focus on the Cost of Non-Quality	
	Relationships – Continue development of relationships with customers, potential partners, the investment community, governments and banks	

Internal Organization – Continued development of effectiveness and efficiency of internal organization, and continued enhancement of processes for talent management and succession planning

2015 Target Total Direct Compensation

Element	2014 Target Compensation	2015 Target Compensation	Percentage of Market[1]	Percentage of Target TDC
Annual Base Salary	$ 850,000	$ 850,000	89 %	13 %
Annual Incentive (% of Salary)	100 %	100 %	83 %	13 %
Long-Term Incentive	$ 4,000,000	$ 5,000,000	101 %	74 %
Target TDC	**$ 5,700,000**	**$ 6,700,000**	**95 %**	**100 %**

(1) Market is defined as median target for each compensation element based on similarly situated executives at companies comprising the Proxy Peer Group. 100% represents median compensation.

Annual Incentive – Based on the Governance Committee's assessment of Mr. Dickson's achievement of his individual performance goals, the Compensation Committee awarded Mr. Dickson a final EICP award of $1,445,340.

Long-Term Incentive – In consideration of the significant progress made by Mr. Dickson on McDermott's turnaround efforts in 2014, Mr. Dickson received an increase in long-term incentives compared to his 2014 award.

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Executive Compensation

	2015 Individual Performance Goals:	2015 Individual Performance Results:
	Transform the finance function via continuous improvement and standardization of processes; increase efficiency through automation	
Stuart A. Spence	Improve fixed and variable cost structure of McDermott through implementation of MPI	
	Manage liquidity by improving processes and implementing initiatives	
Executive Vice President and Chief Financial Officer	Develop plan relating to taxation	
Age: 47	Enhance decision support capabilities of the finance function to provide management with greater insight into decision making	
McDermott Tenure: 1 year 8 months	Execute on McDermott's strategy and vision for both near-term and long-term objectives	
	Improve external stakeholder management and relationships	
	Continued enhancement of processes for talent management and succession planning for the finance function	

2015 Target Total Direct Compensation

Element	2014 Target Compensation	2015 Target Compensation	Percentage of Market[1]	Percentage of Target TDC
Annual Base Salary	$ 475,000	$ 475,000	95 %	24 %
Annual Incentive (% of Salary)	70 %	70 %		