

MCDERMOTT INTERNATIONAL INC
Form DEF 14A
March 22, 2019
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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

Filed by a Party other than the Registrant

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 Under Rule 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)

PAYMENT OF FILING FEE (CHECK THE APPROPRIATE BOX):

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 - 3) Filing Party:
 - 4) Date Filed:
-

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2019 Notice of Annual Meeting and Proxy Statement

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ONE VISION

Our Purpose

We proudly **create and deliver** complete, **innovative solutions** as the **trusted global partner**, enabling our customers to **maximize the potential** of natural resources.

Our Values

INTEGRITY

We maintain a firm adherence to legal and ethical conduct

ONE TEAM

We are One Company, where everyone is equally important

GO BEYOND

We seek courageous and creative solutions

WELL-BEING

We promote all forms of well-being

COMMITMENT

We are reliable and dependable in delivering quality solutions

Learn more about our Mission and Values at
<https://www.mcdermott.com/Who-We-Are/Our-Vision-is-One>

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Letter to Stockholders

To My Fellow Stockholders:

2018 was without a doubt a memorable and transformational year for McDermott. On May 10, 2018, we completed our business combination (the "Combination") with Chicago Bridge & Iron Company N.V. ("CB&I") to create a top-tier, technology-led, integrated provider of engineering and construction solutions for the energy industry. Today, we are a fundamentally different and much larger company, as compared to where we were at the end of 2017, with a formidable new presence in significant onshore markets.

"Thanks to the tremendous amount of hard work and dedication of our Board, executive management and employees during 2018, we are ahead of schedule in becoming a premier, fully integrated, global engineering, procurement, construction and installation ("EPCI") provider, with product solutions spanning onshore and offshore from concept to commissioning."

Our focus areas for 2018 were to:

Complete the integration with CB&I successfully to establish a top tier, vertically integrated engineering, procurement and construction company, competitively differentiated in technology, customer relationships, culture and geographic footprint

Drive savings throughout the organization and embody a best in class culture, with a focus on achieving synergy savings via the Combination Profitability Initiative, or CPI

Develop strategies to position McDermott for future growth by capitalizing on a robust revenue opportunity pipeline and growing end markets

Exercise disciplined bidding on new projects through thorough evaluation and assessment of project risk profiles

Deliver excellence in execution through implementation of the One McDermott Way

While we achieved significant integration, strategic and operational accomplishments aligned with the above focus areas in 2018, the year was not without difficulty, with substantial charges incurred with respect to certain legacy CB&I projects impacting our financial results. McDermott's Board and executive management team have taken significant remedial measures to address performance issues on those projects, and with integration now largely complete, we are acutely focused on ensuring that operating performance across the entire portfolio meets our standard of excellence in execution.

Given the exceptional circumstances presented by the Combination, special considerations impacted our 2018 executive compensation programs, which were thoughtfully structured to align with the above focus areas and drive our operational and financial performance as a combined company over the long-term. As further detailed in the compensation discussion and analysis section of this proxy statement, in making compensation decisions for 2018, the Compensation Committee retained its philosophy in providing compensation that (1) attracts, motivates and retains high-performing executives, (2) provides performance-based incentives to reward achievement of short and long-term business goals and strategic objectives while recognizing individual contributions and (3) aligns the interests of our executives with those of our stockholders. In part due to our 2018 executive compensation programs, we have been able to build a strong global executive team, which is acutely focused on creating value for our stockholders.

Just as McDermott as a company has transformed since 2017, so has the composition of our Board. In May 2018 with the closing of the Combination, we increased the size of our Board from nine to eleven members and welcomed five new, experienced and qualified independent directors: Messrs. Forbes I.J. Alexander, L. Richard Flury, W. Craig Kissel, James H. Miller and Ms. Marsha C. Williams. Each director on our Board brings the right mix of skills, experience, knowledge and independence that we believe will best position the Board for effective decision-making and risk oversight in supporting our long-term strategy. Additionally, our post-Combination Board remains firmly committed to continuing our thoughtful, forward-looking and stockholder informed approach to corporate governance, which is of utmost importance to McDermott.

Looking forward to 2019, our end markets are growing. We are continuing to see recovery in the offshore and subsea, LNG and downstream markets, with the highest McDermott revenue opportunity pipeline in our history. Today, McDermott is well-positioned to offer the technology-led, vertically-integrated solutions that we know our customers are seeking. We believe that McDermott has the right strategy in place to play a major role in the next chapter of global energy solutions.

I am pleased to invite you to attend McDermott's 2019 Annual Meeting of Stockholders. The accompanying Proxy Statement further highlights key activities and accomplishments in 2018 and contains information on the matters for which we are seeking your vote at this year's Annual Meeting. On behalf of the Board, our executive management team, and the entire McDermott organization, thank you for your continued interest and support, as we seek to leverage the momentum of the Combination, continue to combine our strengths and realize the potential 2019 has to offer.

Sincerely yours,

Gary P. Luquette
Independent Chair of the Board
March 22, 2019

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 2019 Annual Meeting
of Stockholders**

Time

8:00 a.m., local time,
on Thursday, May 2, 2019

Location

London Hilton on Park Lane
22 Park Lane
London W1K 1BE
United Kingdom

Record Date and Voting

You are entitled to vote if you were a stockholder of record at the close of business on March 11, 2019 (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 181,590,930 shares of our common stock outstanding on the Record Date.

Items of Business

- 1** To elect eleven members to our Board of Directors, each for a term extending until our 2020 Annual Meeting of Stockholders.
- 2** To conduct an advisory vote to approve named executive officer compensation.
- 3** To ratify our Audit Committee's appointment of Ernst & Young LLP as our independent registered public accounting firm for the year ending December 31, 2019.
- 4** To approve the 2019 McDermott International, Inc. Long-Term Incentive Plan (the "2019 LTIP").
- 5** To transact such other business that properly comes before the meeting or any adjournment thereof.

Notice and Access

Instead of mailing a printed copy of our proxy materials, including our Annual Report on Form 10-K, 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 22, 2019, 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 89 "Questions and Answers About the Annual Meeting of Stockholders and Voting" for details.

By Order of the Board of Directors,

John M. Freeman
Corporate Secretary

March 22, 2019

Proxy Voting

Your vote is important. Please vote via proxy 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.

BY INTERNET

www.proxyvote.com

BY TELEPHONE

Toll-free 1-800-690-6903

BY MAIL

Follow instructions on your

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proxy card

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to Be Held on May 2, 2019.

The proxy statement and Annual Report on Form 10-K 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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About McDermott

McDermott is a premier, fully integrated provider of technology, engineering and construction solutions to the energy industry. For more than a century, customers have trusted McDermott to design and build end-to-end infrastructure and technology solutions to transport and transform oil and gas into the products the world needs today. Our proprietary technologies, integrated expertise and comprehensive solutions deliver certainty, innovation and added value to energy projects around the world.

Customers rely on McDermott to deliver certainty to the most complex projects, from concept to commissioning. We call it the “One McDermott Way.”

McDERMOTT AT A GLANCE

Learn more about our strategy and how we are building a new kind of company at <https://www.mcdermott.com/Who-We-Are>

[mcdermott.com](https://www.mcdermott.com)

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ABOUT MCDERMOTT

CSR AND SUSTAINABILITY HIGHLIGHTS

In addition, we seek to be a recognized, socially responsible employer of choice, with proud, passionate and diverse employees enriching communities

ETHICAL BUSINESS

McDermott's commitment to social responsibility includes conducting our business in accordance with high ethical standards based in integrity, reliability, fairness, mutual respect and trust. We believe this is the right way to operate. This commitment is held in our Code of Business Conduct and Code of Ethics.

ENVIRONMENT

We understand the challenges our customers are facing and will work to continue to generate innovative ideas and initiatives that improve environmental responsibility. We are committed to reducing our impact on the natural environment, using materials and resources efficiently and complying with applicable environmental laws and permits.

COMMUNITIES

McDermott's commitment to communities focuses on responsible stakeholder engagement, social risk assessment and mitigation, strategic community investment and contributions to local economic development. Where potential impacts to indigenous peoples exist, McDermott aims to respect the rights of indigenous peoples through site-specific strategies that address meaningful engagement and development.

PEOPLE

HEALTH AND SAFETY

The well-being of our employees is core to who we are. We implement rigorous controls through every phase of our projects and are committed to a continuously improving safety culture with open communication and accountability. Safety guides our decisions and is the responsibility of every employee. Our employees receive extensive training on how to perform their jobs safely.

DIVERSITY AND INCLUSION

McDermott values a diverse and inclusive workforce free from discrimination, hostility or harassment. We seek to foster an inclusive organizational culture and create opportunities for professional development. The Global Women's Network, for example, promotes advancement of women across the company through education, awareness, networking events and volunteer activities.

TRAINING AND DEVELOPMENT

We provide training and development opportunities for our employees around the world. McDermott's Graduate Development Program facilitates career exploration and progression for recent university graduates, while our craft training programs promote

technical trade careers. We believe in lifelong learning and encourage our employees to participate in development opportunities at McDermott.

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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 2019 Annual Meeting of Stockholders to our stockholders beginning on March 22, 2019.

ELECTION OF DIRECTORS

The Board of Directors has nominated 11 candidates, each for a term extending until our 2020 Annual Meeting of Stockholders, and recommends that stockholders vote for each nominee based on their specific background, experience, qualifications, attributes and skills.

The Board recommends a vote
FOR each director nominee.

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BOARD AND CORPORATE GOVERNANCE HIGHLIGHTS

We are committed to maintaining the highest standards of corporate governance. The Board has built a strong and effective governance framework, which has been designed to promote the long-term interests of stockholders and support Board management accountability.

DIRECTOR NOMINEES

	Director Since	Committees	Other Current Public Company Boards
Forbes I.J. Alexander , 58 Independent Executive Vice President, Jabil, Inc.	2018	Audit	None
Philippe C. Barril , 54 Independent Chief Operating Officer, SBM Offshore, N.V.	2017	Audit Transition (Chair)	None
John F. Bookout, III , 65 Independent Partner, Apollo Global Management, LLC	2006	Governance	None
David Dickson , 51 President, Chief Executive Officer, McDermott	2013	Transition Compensation	None
L. Richard Flury , 71 Independent Chief Executive Officer, Gas Power & Renewables, BP p.l.c. (retired)	2018	Governance (Chair)	Callon Petroleum Corporation
W. Craig Kissel , 68 Independent President, Commercial Systems, Trane, Inc. (retired)	2018	Compensation (Chair)	Watts Water Technologies
Gary P. Luquette , 63 Independent President, Chief Executive Officer, Frank's International N.V. (retired) Non-Executive Chair of the McDermott Board	2013	Compensation Transition	Southwestern Energy Company Apergy Corporation AES Corporation
James H. Miller , 70 Independent Chairman, PPL Corporation (retired)	2018	Governance	Crown Holdings, Inc.
William H. Schumann, III , 68 Independent Executive Vice President, FMC Technologies, Inc. (retired)	2012	Audit (Chair) Compensation	Avnet, Inc. Wood PLC
Mary L. Shafer-Malicki , 58 Independent Senior Vice President, Chief Executive Officer, BP Angola (retired)	2011	Governance	QEP Resources, Inc.
Marsha C. Williams , 68 Independent Senior Vice President, Chief Financial Officer, Orbitz Worldwide, Inc. (retired)	2018	Audit	Fifth Third Bancorp Modine Manufacturing Company, Inc.

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PROXY SUMMARY

CURRENT BOARD SNAPSHOT

BOARD INDEPENDENCE

In accordance with our Corporate Governance Guidelines, 10 of our 11 directors are independent, including the Chair of the Board.

TENURE BALANCE

RELEVANT SKILLS AND EXPERIENCE

Our Board is appropriately refreshed, and our directors bring a balance of experience and fresh perspectives.

Our directors bring leadership experience in fields relevant to McDermott.

CORPORATE GOVERNANCE HIGHLIGHTS

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 14 describes our governance framework, which includes the following:

CURRENT BOARD AND GOVERNANCE INFORMATION

11	10	11	72	63
Size of Board	Number of Independent Directors	Board Meetings Held in 2018	Mandatory Retirement Age	Average Age of Directors

- Separate Chair and CEO
- Annual Board and Committee Evaluations
- Independent Directors Meet in Executive Sessions
- Board Orientation
- Succession Planning Oversight
- Board Risk Oversight
- Code of Conduct for Directors, Officers and Employees
- Stock Ownership Guidelines for Directors and Executive Committee, or EXCOM, Members
- Anti-Hedging and Pledging Policies
- Clawback Policy and Forfeiture Provisions
- Stockholder Outreach Program

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ADVISORY VOTE TO APPROVE NAMED EXECUTIVE OFFICER COMPENSATION

We recommend that you review our Compensation Discussion & Analysis beginning on page 42, which explains in greater detail the philosophy of the Compensation Committee and its actions and decisions in 2018 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.

The Board recommends a vote
FOR this proposal.

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2018 POST-COMBINATION OPERATING STRATEGY

On May 10, 2018, McDermott completed its combination (the "Combination") with Chicago Bridge & Iron Company N.V. ("CB&I"). The completion of the Combination represented the culmination of a multi-year process through which McDermott's Board of Directors and executive management team considered both organic and inorganic strategies to increase the size and scale of the organization. The result of the Combination is the creation of a transformed company: a premier, fully integrated, global engineering, procurement, construction and installation ("EPCI") provider, with product solutions spanning onshore and offshore from concept to commissioning. Today, we are a fundamentally different and much larger company as compared to where we were at the end of 2017, with significant earnings potential as provided below:

REVENUES

\$ in billions

123%**BACKLOG**

\$ in billions

179%**ORDER INTAKE**

\$ in billions

115%

Under the continued leadership of our President and Chief Executive Officer, David Dickson, our post-Combination 2018 operating strategy was to pioneer a new kind of company, with a focus on the following strategic objectives:

Integrate

Complete the integration with CB&I successfully to establish a top tier, vertically integrated engineering, procurement and construction company, competitively differentiated in technology, customer relationships, culture and geographic footprint

Drive

Drive savings throughout the organization and embody a best in class culture, with a focus on achieving synergy savings via the Combination Profitability Initiative, or CPI

Position

Develop strategy to position McDermott for future growth by capitalizing on a robust revenue opportunity pipeline and growing end markets

Discipline

Exercise disciplined bidding through thorough evaluation and assessment of project risk profiles

Execute

Deliver excellence in execution through implementation of the One McDermott Way

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PROXY SUMMARY

2018 EXECUTIVE COMPENSATION HIGHLIGHTS

COMPENSATION PHILOSOPHY

The Compensation Committee is committed to targeting reasonable and competitive total direct compensation, or “TDC”, for our NEOs, with a significant portion of that compensation being performance based. Our compensation programs are designed to align with and 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:

Provides performance-based incentives to reward achievement of short and long-term business goals and strategic objectives while recognizing individual contributions	Aligns the interests of our executives with those of our stockholders
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Attracts, motivates and retains high-performing executives
 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.

2018 COMPENSATION PROGRAM

Reflecting this philosophy, our NEO compensation arrangements in 2018 provided for the continuing use of three elements of TDC: annual base salary; annual incentive provided under our Executive Incentive Compensation Plan, or EICP; and long-term incentives, or LTI.

In consideration of the anticipated Combination, in making compensation decisions for 2018, the Compensation Committee bifurcated the year into pre-Combination and post-Combination periods. For the pre-Combination period, the Compensation Committee deferred any significant changes to the elements of executive officer target TDC. Instead, the Compensation Committee generally maintained consistency with 2017 compensation levels for each element of target TDC, but only awarded 50% of 2017 target LTI award values, in the form of Restricted Stock Units, for the pre-Combination period.

Following the completion of the Combination, the newly constituted Compensation Committee, which now includes former CB&I directors as members, met to consider executive officer compensation. In determining the appropriate plan design and levels of compensation, the Compensation Committee took into consideration a number of factors, including the significantly increased size and scale, newly established operating strategy and short- and long-term goals of McDermott. As a result of this review, the Compensation Committee approved the following elements of executive officer compensation:

POST-COMBINATION PERIOD

Annual Base Salary

Annual base salary increases provided to align with market median

EICP

Adjusted Operating Income and Adjusted Free Cash Flow Identified as Financial Performance Metrics
 Target EICP award increases provided to align with market median

LTI

50% of 2018 Target LTI Awarded as Performance Units
 Additional Restricted Stock Units awarded to achieve 50% of 2018 Target LTI
 Target LTI award value increases to align with market median

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In selecting performance metrics and performance levels for the elements of annual and long-term compensation for both the pre- and post-Combination periods, the Compensation Committee sought to support McDermott’s strategic and financial goals and drive the creation of stockholder value. Specifically, the Compensation Committee considered McDermott’s strategic objectives in determining financial metrics for executive compensation, as set forth below.

Performance metrics and performance levels used within elements of annual and long-term compensation are designed to support our strategic and financial goals and drive the creation of stockholder value

	Strategic Objective	Performance Metric
2018 EXECUTIVE INCENTIVE COMPENSATION PLAN	Integrate & Execute Drive profitability via improved project execution	Adjusted Operating Income
	Drive Prioritize liquidity needs	Adjusted Free Cash Flow
	Position Support future business	Order Intake
2018 LONG-TERM INCENTIVE PLAN — PERFORMANCE UNITS	Integrate, Discipline & Execute Generate returns for stockholders	Relative Total Shareholder Return

As a result of the Compensation Committee’s actions, the post-Combination mix of target TDC for Mr. Dickson for 2018 is shown in the chart below:

CEO 2018 POST-COMBINATION TARGET TOTAL DIRECT COMPENSATION

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RATIFICATION OF APPOINTMENT OF ERNST & YOUNG LLP AS AUDITORS

Our Board of Directors has ratified our Audit Committee's appointment of Ernst & Young LLP as McDermott's independent registered public accounting firm for the year ending December 31, 2019, and, as a matter of good governance, we are seeking stockholder ratification of that appointment.

The Board recommends a vote
FOR this proposal.

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APPROVAL OF THE 2019 McDERMOTT INTERNATIONAL, INC. LONG-TERM INCENTIVE PLAN

We are asking our stockholders to approve the 2019 McDermott International, Inc. Long-Term Incentive Plan (the "2019 LTIP") to replace the 2016 McDermott International, Inc. Long-Term Incentive Plan (the "2016 LTIP") and the Chicago Bridge & Iron 2008 Long-Term Incentive Plan (the "CB&I LTIP"). On February 27, 2019, our Board of Directors adopted, subject to stockholder approval, the 2019 LTIP and reserved 2,475,000 million shares for issuance pursuant to awards that may be made thereunder. A total of 630,788 shares remain available for issuance under the 2016 LTIP, and 2,057,669 shares remain available for issuance under the CB&I LTIP, in each case as of March 11, 2019. The 2019 LTIP would also provide certain updates and governance-related enhancements, as described below under "Approval of the 2019 LTIP (Item 4)". The proposed adoption of the 2019 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 2019 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.

The Board recommends a vote
FOR this proposal.

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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, which may be found at www.mcdermott.com under “INVESTORS – Corporate Governance,” contains the following documents:

- Amended and Restated Articles of Incorporation (our Articles of Incorporation)
- Amended and Restated By-Laws (our 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 the corporate governance section of our Web site.

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, Forbes I.J. Alexander, Philippe C. Barril, John F. Bookout, III, David Dickson, L. Richard Flury, W. Craig Kissel, Gary P. Luquette, James H. Miller, William H. Schumann, III, Mary L. Shafer-Malicki and Marsha C. Williams will stand for reelection as directors at this year’s Annual Meeting, each for a term extending until our 2020 Annual Meeting of Stockholders.

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.

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CORPORATE GOVERNANCE

2019 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 of each individual, in concluding each 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 May 2, 2019).

FORBES I. J. ALEXANDER

Executive Vice President, Jabil, Inc.

Age

58

Director Since

2018

Committee Assignments

Audit Committee

Professional Highlights

Jabil, Inc., a product solutions company providing design, manufacturing, supply chain and product management services across various industries

Executive Vice President (2018 – Present)

Chief Financial Officer (2004 – 2018)

Treasurer (1996 – 2004)

Assistant Treasurer (1996)

Controller, Scotland operations (1993 – 1996)

Former Public Company Directorships

Director, Chicago Bridge & Iron Company N.V. (May 2017 – May 2018)

The Board of Directors is nominating Mr. Alexander in consideration of his extensive executive leadership experience and financial knowledge, having worked as a financial officer within various types of companies over the course of his career.

PHILIPPE C. BARRIL

Chief Operating Officer, SBM Offshore N.V.

Age

54

Director Since

2017

Committee Assignments

Audit Committee

Transition Committee (Chair)

Professional Highlights

SMB Offshore N.V., a provider of floating production solutions to the offshore energy industry

Chief Operating Officer (March 2015 – Present)

Member of Management Board (April 2015 – Present)

Technip, S.A., a provider of project management, engineering and construction services for the energy industry

President and Chief Operating Officer (January 2014 – January 2015)

Executive Vice President and Chief Operating Officer, Onshore and Offshore (September 2011 – December 2013)

Senior Vice President, Offshore, Technip France (June 2010 – September 2011)

Senior Vice President, Offshore & Onshore Product Lines and Technologies, Technip France (November 2009 – May

2010)

Managing Director, Entrepose Contracting, EPC contractor for the energy industry (2007 – 2009)

The Board of Directors is nominating Mr. Barril in consideration of his executive leadership and international operations experience within the oilfield engineering and construction industry.

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CORPORATE GOVERNANCE

JOHN F. BOOKOUT, III

Partner, Apollo Global Management, LLC

Age

65

Director Since

2006

Committee Assignments

Governance Committee

Professional Highlights

Apollo Global Management, LLC, a global investment management firm

Partner (June 2016 – Present)

Senior Advisor (October 2015 – June 2016)

Kohlberg Kravis Roberts & Co., a private equity firm

Managing Director of Energy and Infrastructure (March 2008 – June 2015)

McKinsey & Company, a global management consulting firm (1978 – 2008)

Managing Partner and Head of North American and European Energy Practices, responsible for McKinsey's 17 global industry practices

Held various other senior leadership positions

Former Public Company Directorships

Director, Tesoro Corporation (2006 – 2010)

The Board of Directors is nominating Mr. Bookout in consideration of his broad executive leadership experience within the oil and gas exploration and development industry and the petroleum refining and marketing industry and his experience in private equity and finance.

DAVID DICKSON

President and Chief Executive Officer

Age

51

Director Since

2013

Committee Assignments

Transition Committee

Professional Highlights

McDermott International, Inc.

President and Chief Executive Officer (December 2013 – Present)

Executive Vice President and Chief Operating Officer (October 2013 – December 2013)

Technip, S.A., a provider of project management, engineering and construction services for the energy industry

President of Technip U.S.A. Inc., with oversight responsibilities for all of Technip's North American operations and for certain operations in Latin America (September 2008 – October 2013)

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.

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CORPORATE GOVERNANCE

L. RICHARD FLURY

Former Chief Executive Officer of Gas, Power & Renewables, BP p.l.c.

Age

71

Director Since

2018

Committee Assignments

Governance Committee (Chair)

Compensation Committee

Professional Highlights

BP p.l.c., an oil and natural gas exploration, production, refining and marketing company

Chief Executive Officer, Gas, Power & Renewables (1998 – retirement in 2001)

Executive Vice President, Exploration & Production Sector, Amoco Corp. (acquired by BP p.l.c. in 1998) (1996 – 1998)

Various other executive roles, Amoco Corp. (1988 – 1996)

Current Public Company DirectorshipsDirector, Callon Petroleum Corporation, an independent oil and natural gas company focused on the acquisition, exploration and development of assets in the Permian Basin (2004 – Present)—*Audit, Compensation and Strategic Planning & Reserves Committees***Former Public Company Directorships**

Director, Chicago Bridge & Iron Company N.V. (2003 – May 2018)

Director, QEP Resources, Inc. (June 2010 – May 2015)

The Board of Directors is nominating Mr. Flury in consideration of his extensive experience in serving in executive and director capacities at several public companies, knowledge of the energy industry, knowledge of international business and financial adeptness.

W. CRAIG KISSEL

Former President of Commercial Systems, Trane, Inc.

Age

68

Director Since

2018

Committee Assignments

Compensation Committee (Chair)

Professional Highlights

Trane, Inc. (a subsidiary of Ingersoll-Rand plc and successor to American Standard Companies), global manufacturer of heating, ventilating and air conditioning systems and building management systems and controls

President, Commercial Systems (2003 – retirement in 2008)

President, American Standard's Vehicle Control Systems, Belgium (1998 – 2003)

Various other executive roles since 1980, including President of WABCO Vehicle Control Systems from (1998 – 2003), President, North American Unitary Products Group (1994 – 1997), Vice President, Marketing, North American Unitary Products Group (1992 – 1994)

Current Public Company DirectorshipsDirector, Watts Water Technologies, Inc. (since 2011)—*Chairman of the Board, Nominating & Corporate Governance Committee***Former Public Company Directorships**

Director, Chicago Bridge & Iron Company N.V. (2009 – May 2018)

The Board of Directors is nominating Mr. Kissel in consideration of the breadth of his experience as a division president of a public company and as a public company director, his knowledge of international business and technological expertise.

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CORPORATE GOVERNANCE

**GARY P.
LUQUETTE**

Non-Executive Chair of the Board Former President and Chief Executive Officer, Frank's International N.V.

Age

63

Director Since

2013

Committee Assignments

Compensation Committee

Transition Committee

Professional Highlights

Frank's International N.V., a global provider of engineered tubular services to the oil and gas industry
President and Chief Executive Officer (January 2015 – November 2016), and Special Advisor (November 2016 – retirement in December 2016)

Member of Supervisory Board (November 2013 – May 2017)

Chevron Corporation (1978 – September 2013)

President, Chevron North America Exploration and Production (2006 – September 2013)

Held several other key exploration and production senior leadership positions in Europe, California, Indonesia and Louisiana, including Managing Director of Chevron Upstream Europe, Vice President, Profit Center Manager, Advisor and Engineer

Current Public Company Directorships

Director, Southwestern Energy Company, an independent energy company engaged in natural gas and oil exploration, development and production, natural gas gathering and marketing (since 2017) — *Health, Safety, Environment and Corporate Responsibility Committee*

Director, Apergy Corporation, a provider of highly engineered technologies that help companies drill for and produce oil and gas around the world (since 2018) — *Compensation Committee (Chair), Governance and Nominating Committee*

Former Public Company Directorships

Director, Frank's International N.V. (2013—2017)

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.

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CORPORATE GOVERNANCE

JAMES H. MILLER

Former Chairman, PPL Corporation

Age

70

Director Since

2018

Committee Assignments

Governance Committee

Professional Highlights

PPL Corporation, a provider of energy services across the United States and the United Kingdom

Chairman (2006 – retirement in 2012)

President and Chief Executive Officer (2006 – 2011)

Various other management roles, including Executive Vice President and Chief Operating Officer (2004 – 2005)

USEC, Inc. (renamed Centrus Energy Corp. in 2014), a global uranium fuel supplier for commercial nuclear power plants

Executive Vice President (1999 – 2001)

Vice President, Production (1995 – 1999)

Current Public Company Directorships

Director, AES Corporation, global power company (since 2013) — *Compensation Committee (Chair), Financial Audit Committee Strategy and Investment Committee*

Director, Crown Holdings, Inc., a global supplier of packaging products to consumer marketing companies (since 2010) — *Nominating and Corporate Governance Committee*

Former Public Company Directorships

Director, Chicago Bridge & Iron Company N.V. (2014 – May 2018)

Director, Rayonier Advanced Materials, Inc. (Rayonier, Inc. prior to 2014 spin-off) (2011–2015)

The Board of Directors is nominating Mr. Miller in consideration of his vast experience in executive leadership and as a public company director and his broad knowledge of international operations and the energy industry.

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CORPORATE GOVERNANCE

WILLIAM H. SCHUMANN, III

Former Executive Vice President, FMC Technologies, Inc.

Age

68

Director Since

2012

Committee Assignments

Audit Committee (Chair)

Professional Highlights

FMC Technologies, Inc., a global provider of technology solutions for the energy industry, and its predecessor, FMC Corporation (1981 – August 2012)

Executive Vice President (2005 – retirement in August 2012)

Chief Financial Officer (2001 – 2011)

Chief Financial Officer, FMC Corporation (1999 – 2001)

Vice President, Corporate Development (1998 – 1999)

Various other management positions, including: Vice President and General Manager, Agricultural Products Group (1995 – 1998);

Regional Director, North America Operations, Agricultural Products Group from (1993 – 1995); Executive Director of Corporate

Development (1991 – 1993)

Current Public Company Directorships

Director, Avnet, Inc., an industrial distributor of electronic components and products (since 2010) — *Non-Executive Chairman of the Board (2012 - 2018) and Audit Committee*

Former Public Company Directorships

Director, Andeavor (prior to August 2017, named Tesoro Corporation) (2016–2018)

Director, AMCOL International Corporation (2012–2014)

Director, URS Corporation (March 2014–October 2014)

Director, UAP Holding Corp. (2005–2008)

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.

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CORPORATE GOVERNANCE

MARY L. SHAFER-MALICKI Former Senior Vice President and Chief Executive Officer of BP Angola, BP p.l.c.

Age

57

Director Since

2011

Committee Assignments

Compensation Committee

Governance Committee

Professional Highlights

BP p.l.c., an oil and natural gas exploration, production, refining and marketing company
Senior Vice President and Chief Executive Officer, BP Angola (July 2007 – retirement in March 2009)

Chief Operating Officer, BP Angola (January 2005 – June 2007)

Held several other executive leadership positions with BP p.l.c. and Amoco Corp. (acquired by BP p.l.c. in 1998), including, Director General of BP Vietnam, from 2003 to 2004

Current Public Company Directorships

Director, Wood PLC, a leading independent services provider for the oil and gas and power generation markets (since 2012) —

Nomination and Remuneration Committees, and Safety & Assurance Committee

Director, QEP Resources, Inc., an energy company specialized in natural gas and oil exploration (since 2017) — *Audit and Governance Committees*

Former Public Company Directorships

Director, Ausenco Limited (2011–2016)

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, the Asia Pacific region and Africa.

MARSHA C. WILLIAMS Former Senior Vice President and Chief Financial Officer, Orbitz Worldwide, Inc.

Age

67

Director Since

2018

Committee Assignments

Audit Committee

Professional Highlights

Senior Vice President and Chief Financial Officer, Orbitz Worldwide, Inc. (acquired by Expedia, Inc. in 2015), a global online travel company (2007 — retirement in 2010)

Executive Vice President and Chief Financial Officer, Equity Office Properties Trust, publicly held office building owner and manager (2002–2007)

Chief Administrative Officer, Crate & Barrel, global home furnishings retailer (1998–2002)

Treasurer, Amoco Corp. (acquired by BP p.l.c. in 1998), an oil and natural gas exploration, production, refining and marketing company (1993–1998)

Director, Davis Funds, an independent investment management firm (since 1999)

Current Public Company Directorships

Director, Modine Manufacturing Company, Inc., a global provider of thermal management systems and components (since 1999)—*Lead Director, Nominating and Governance Committee*

Director, Fifth Third Bancorp, a diversified financial services company (since 2008) —*Lead Director, Finance, Nominating and Corporate Governance*

Former Public Company Directorships

Director, Chicago Bridge and Iron Company N.V. (1997–May 2018)

The Board of Directors is nominating Ms. Williams in consideration of her significant experience gained from serving in executive leadership and board positions at public companies and her extensive knowledge in the areas of accounting, auditing and financial reporting.

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CORPORATE GOVERNANCE

SUMMARY OF DIRECTOR NOMINEES' QUALIFICATIONS AND EXPERIENCE

The following table illustrates the breadth and variety of business and other experience that each of our director nominees brings to McDermott.

Experience/Skill

EXECUTIVE LEADERSHIP Necessary for an understanding of management's role and responsibilities and the challenges management must address so as to be able to evaluate management's performance

ENERGY/OILFIELD SERVICES An understanding of our industry is important so that the Board can independently assess our strategy, management's progress in achieving the strategy and appropriate oversight of our business and operations

PUBLIC COMPANY BOARD Important to an understanding of the Board's role as it relates to that of management

EXPERIENCE WITH CORE CUSTOMERS Knowledge of and experience with our core customers is important for achieving our strategic goals and assessing project development and opportunities for growth

INTERNATIONAL OPERATIONS Important to assessing risks and business strategy in countries in which we operate

FINANCIAL OVERSIGHT RESPONSIBILITIES Important to understand the complexities of financial reporting, internal controls and the regulatory environment applicable to publicly traded companies

CORPORATE GOVERNANCE Necessary to understand directors' duties and the system of governance checks and balances under which a public company operates

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 (in the case of a non-executive director) 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.

Our Corporate Governance Guidelines place limits on the number of boards on which McDermott directors may serve. Such limits provide that any director who is a chief executive officer or other senior executive of a public company should serve on no more than two public company boards, and any other director should serve on no more than three public company boards, in both instances including the McDermott Board. Any proposed service in excess of these limits will be considered on a case by case basis.

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CORPORATE GOVERNANCE

In addition, the Governance Committee also considers it desirable that candidates contribute positively to the 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. Our Corporate Governance Guidelines 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:

Forbes I.J. Alexander	John F. Bookout, III	W. Craig Kissel	James H. Miller	Mary L. Shafer-Malicki
Phillippe C. Barril	L. Richard Flury	Gary P. Luquette	William H. Schumann, III	Marsha C. Williams

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. Alexander, Barril, Bookout, Flury, Kissel, Luquette and Schumann have no relationship with McDermott, except as a director and stockholder. Mr. Miller, Ms. Shafer-Malicki and Ms. Williams 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

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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CORPORATE GOVERNANCE

THE BOARD’S ROLE AND RESPONSIBILITIES

OVERVIEW

The Board’s Key Responsibilities include:

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.

BOARD AND COMMITTEES RISK OVERSIGHT RESPONSIBILITIES

FULL BOARD

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:

Oversees management of risks related to our financial statements and the financial reporting process

Oversees management of risks related to our compensation policies and practices applicable to executives, employee benefit plans and the administration of equity plans

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)

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CORPORATE GOVERNANCE

At their respective November 2018 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 2018 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, Meridian Compensation Partners, 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 2018 meeting, the Compensation Committee concluded that the risks arising from our compensation policies and practices are aligned with stockholders' interests and are not reasonably likely to have a materially adverse impact on us.

STOCKHOLDER ENGAGEMENT

In an effort to continuously improve our governance and compensation practices, our Board is firmly committed to constructive engagement with our stockholders and regularly reviews and responds to their expressed views.

STOCKHOLDER OUTREACH PROGRAM

Objective	Outreach	Discussion	Feedback	Results
In 2015, our Board established a formal and extensive shareholder outreach program, under which members of our Board and/or executive management team solicit feedback from our stockholders on our governance processes and compensation programs.	In both the spring and fall of each year, we typically reach out to stockholders representing approximately 40% of our outstanding shares of common stock and other stakeholders to discuss their perspectives on corporate governance and compensation matters.	In person or telephonic meetings have been led by either our Governance Committee Chair or Compensation Committee Chair. In 2018, based on improvements to our governance and compensation programs and positive say-on-pay results since 2016, no meetings were requested by stockholders to discuss those programs, which we believe is an indication of our stockholders' support of our current governance and compensation framework.	This engagement process has provided us with constructive stockholder 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.	Each year, our Board considers the say on pay vote result and the matters discussed during the stockholder and stakeholder outreach efforts conducted during the year in considering any changes or enhancements to our governance and compensation practices.

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CORPORATE GOVERNANCE

The Board places considerable weight on stockholder feedback in making decisions impacting our governance processes and compensation programs. Over the past four years, this increased dialogue with our stockholders has led to meaningful changes in our corporate governance, environmental, social and executive compensation policies and practices, such as those highlighted below.

Enhancements to our practices and policies

Governance:

- Maintaining a Separate Chair of the Board and CEO
- Maintaining a Board comprised of all independent directors, except our CEO
- Engaging an independent third-party facilitator to conduct the annual Board and Committee evaluations every few years or as needed
- Adoption of limits on the number of outside boards on which our directors may serve
- Maintaining a commitment to Board refreshment

Social & Environmental:

- Increasing disclosures on our corporate social responsibility and sustainability activities
- Establishing a formal CSR Corporate Steering Committee and a Global Coordination Team to more closely align CSR activities to our business objectives
- Taking steps to align our CSR framework to the ISO 26000:10 standard, which provides guidance to assess and address social responsibilities that are relevant and significant to McDermott's: mission and vision; operations and processes; customers, employees, communities and other stakeholders; and environmental impact

Compensation:

- Enhancing transparency in proxy statement disclosures regarding compensation matters, including disclosing specific targets of our compensation programs and how they tie to our strategy
- Including a relative metric for long-term incentive plan awards
- Requiring double-trigger vesting of equity awards upon a change in control
- Introduction of a competitor peer group for performance-based equity awards
- Appropriate revisions to our compensation peer groups

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CORPORATE GOVERNANCE

BOARD REFRESHMENT AND SUCCESSION PLANNING

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. Further, 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. Additionally, with the closing of the Combination in May 2018, we welcomed five new, experienced and qualified members to our Board. Our commitment to board refreshment has resulted in a Board with a well-balanced tenure.

DIRECTOR SUCCESSION PLANNING PROCESS

Succession Planning	Identification of Candidates	Meeting with Candidates	Decision and Nomination
The Governance Committee implements an ongoing succession planning process, seeking out director candidates to join our Board in light of the emerging needs of our business and our current Board's composition.	To ensure a robust search process and access to a wide range of qualified candidates, the Governance Committee works closely with an independent search firm to identify and evaluate director candidates in light of our Board's structure, tenure and qualifications.	Potential director candidates are interviewed by our Chair of the Board, CEO, the Governance Committee and other available directors.	The Governance Committee recommends to the full Board for nomination those director candidates with the skills and experience that would most benefit the current Board and best serve the interests of McDermott and its stockholders.

Voting

The Director nominees stand for election or reelection to the Board by our stockholders at the Annual Meeting, each for a term extending until the next year's Annual Meeting of Stockholders.

BOARD AND COMMITTEE EVALUATIONS

Our Board recognizes the critical role of annual Board and committee evaluations in ensuring the Board and each committee are functioning effectively. The Governance Committee annually reviews the Board and committee evaluation process in consideration of recent best practices and input from the directors. To that end, and in response to stockholder input received through our stockholder outreach efforts, the Governance Committee enhanced the evaluation process by utilizing a third party to help conduct the annual Board and committee performance evaluations conducted in early 2017.

Based on stockholder input, the results of the 2017 evaluations and consistent with the practices of many other companies who retain third-party facilitators to assist with their annual evaluations, the Governance Committee determined that it would be more beneficial to utilize a third party to help conduct the annual evaluations once every few years and as needed as opposed to every year. In 2019, in accordance with its charter, the Governance Committee oversaw the annual evaluation process, solicited feedback from all directors and reported to the Board with an assessment of the performance of the Board and its committees. This assessment was 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.

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SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

Sustainability and corporate social responsibility (“CSR”) are integral components of our business strategy. As part of McDermott’s vision, we are committed to creating and delivering sustainable solutions that reduce our impact on the environment and society and enable our customers to maximize the potential of natural resources. This includes becoming a socially responsible employer of choice and a global technology leader with opportunities in clean fuels, carbon management, methane utilization and renewable solutions.

Our approach to corporate responsibility and sustainability revolves around promoting employee well-being, reducing our environmental footprint and supporting local community development.

We also have one of the industry’s most robust technology portfolios and continue to develop cutting edge technology to achieve our customers’ objectives. This approach to sustainability and focus on technology helps us create shared value for our company and stakeholders and supports our overall business strategy.

Sustainability is a company’s delivery of long-term value in financial, environmental, social and ethical terms. At McDermott, we envision our future in sustainability as:

<p>Industry technology leader in clean fuels and carbon capture with expanded opportunities in sustainable and renewable energy solutions Progress in 2018</p>	<p>Trusted advisor to customers in sustainability</p>	<p>Recognized, socially responsible employer of choice, with proud and passionate employees enriching communities</p>	<p>Globally-diverse workforce at all levels of the company</p>
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In 2018, McDermott approved a Social Responsibility Policy, outlining our commitment to respecting people, the environment, and communities in our global operations. We are improving our CSR/Sustainability framework in line with international standards, such as the ISO 26000 standard, and have started mapping our activities and contributions with the Sustainable Development Goals. By using these international standards as guidance, we are better positioned to further define the sustainability issues material to our business and develop sustainability goals for our company moving forward.

We are already making progress across a broad range of sustainability initiatives. We now have a formal CSR Corporate Steering Committee and Global Coordination Team to more closely align CSR activities to our business objectives, which will promote shared value for our stakeholders. We are also building a Sustainability Community of Practice to increase collaboration among subject matter experts and encourage innovation and the development of sustainable solutions. In 2018, we held a global sustainability summit aimed to bring together employees and subject-matter experts from across functions and areas to share knowledge and expertise.

In 2018, we also continued our commitment to “Taking the Lead with QHSES,” an internally driven program focused on proactively developing and supporting the behaviors and attitudes that lead to a robust quality, health, safety, environment and security (“QHSES”) culture and excellence in QHSES performance.

During 2018, we:

Approved a **Social Responsibility Policy**

Established a formal **CSR/Sustainability Global Steering Committee**

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CORPORATE GOVERNANCE

Technology Leadership

We offer solutions for clean fuel production, including low-sulfur and low-octane gasoline, to meet increasingly stringent environmental standards and anticipated future fuel specifications. One of our joint ventures, Chevron Lummus Global Technology, provides solutions for converting waste feedstocks into renewable biofuels and for producing low-sulfur jet, marine bunker fuel and ultra-low-sulfur diesel. Our Catalytic Distillation (CDTECH™) products also include lifecycle management measures, such as take-back agreements for recovery and recycling.

NET Power is a joint venture between McDermott, Exelon, 8 Rivers Capital and Occidental that is developing a new natural gas power generation technology to produce affordable electricity with zero carbon emissions. McDermott is the EPC contractor for the pilot plant in LaPorte, Texas, which is in the final testing phases.

We are part of an innovative venture to develop new natural gas power generation technology to produce affordable electricity with zero carbon emissions.

Health and Safety

McDermott has a mature safety culture that is “part of our DNA.” The safety of our employees, customers, subcontractors and vendors is of utmost importance. Our Health and Safety management system conforms with the requirements of ISO 45001.

In 2018, we continued our strong safety performance with a Total Recordable Incident Rate (TRIR) of 0.23 and a commitment to continuous improvement.

Environment

McDermott strives to be an industry leader in environmental compliance and is committed to managing the impact of our operations on the natural environment by implementing practices to prevent pollution, reduce waste and minimize the depletion of resources. McDermott’s Environmental Management System addresses the environmental aspects, impacts and risks associated with our operations through the prevention of pollution, reduction of waste and minimizing the depletion of resources, enabling our customers to maximize the potential of natural resources and compliance with jurisdictional requirements.

We are improving our environmental program by focusing on opportunities and data collection related to energy, water and waste. Through our Technology portfolio and engineering work, we are committed to developing more environmentally responsible solutions for our customers.

Our environmental management system complies with ISO 14001:2015.

Human Rights

McDermott is committed to respecting human rights wherever we operate, in accordance with applicable laws and consistent with the U.N. Guiding Principles on Business and Human Rights. Our commitment to human rights includes the provision of quality work conditions that comply with all applicable labor laws and the International Labour Organization’s core conventions/Declaration on Fundamental Principles and Rights at Work, including labor principles related to freedom of association and nondiscrimination and the prohibition of forced labor, human trafficking and child labor.

In 2018, McDermott continued efforts to identify human rights risks in our direct and subcontracted services. Additional information appears within the Modern Slavery Act Statement posted on our Web site.

We are working to **build a stronger human rights focus in our people, supply chain, security and community engagement strategies.**

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CORPORATE GOVERNANCE

Social Impact

We realize that the success of our business is linked to the success of the communities where we operate. As part of our social responsibility program, we work with our customers to engage stakeholders responsibly, minimize disruption to the community and provide opportunities for local social and economic development, including local content and supplier diversity.

Our community engagement practices are based on four pillars:

**Respect
people's rights and
community well-being**

**Minimize
negative impacts
to communities**

**Respond
appropriately
to concerns**

**Promote
local
development**

We believe in integrating community engagement into our operations, evaluating risks proactively and identifying programs to develop local capacity.

In 2018, McDermott launched its "Build Up" social investment program, which aims to partner with community colleges, universities, technical schools and other public and non-profit training organizations to develop and strengthen technical capabilities with a focus on both short-term benefits and long-term labor needs. To highlight a few examples, in the United States, McDermott supported the welding program at Central Piedmont Community College, the electrical program benefiting military personnel at the Central Louisiana Technical Community College, and the Science and Engineering Fair in Houston. In Uganda, McDermott continued its welding instructor training program to improve local training capacity.

In 2018, we launched a social investment program which aims to develop and strengthen technical capabilities in local communities.

We also give back to communities through employee giving and matching campaigns, employee-led volunteer activities and support to communities where we live and work. A few of our efforts in 2018 included:

Partnering with GlobalGiving to promote connections between employees and community organizations around the world.

Organizing school supply drives, food drives, and holiday toy drives in the United States.

Sponsoring the American Heart Association's Houston Heart Walk to raise funds for heart health and awareness.

Supporting charitable organizations in Mexico that promote community health and wellbeing and organizing employee volunteers to collect plastic waste for recycling/reuse.

Volunteering to lay a gravel path to improve safety at a local kindergarten in the Czech Republic.

Contributing to the Prime Minister's National Relief Fund in India and matching disaster relief donations in India and Indonesia.

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 Parkway, Houston, TX 77079.

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CORPORATE GOVERNANCE

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.

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 11 times during 2018. All directors serving on the Board during 2018 attended 75% or more of the meetings of the Board and of the committees on which they served during 2018. Additionally, it is our policy that all of our directors make reasonable efforts to attend our annual meeting of stockholders and, in accordance with that policy, 10 of our 11 directors serving on the Board at the time attended our 2018 Annual Meeting.

BOARD COMMITTEES

Our Board currently has, and appoints the members of, standing Audit, Compensation and Governance Committees. 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 INVESTORS Corporate Governance Board Committee Charters. 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. Additionally, in 2018, in connection with the Combination, the Board determined it necessary and appropriate to establish a Transition Committee to oversee and support efforts to effectively and efficiently integrate the two companies post-Combination.

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CORPORATE GOVERNANCE

The following table shows the current membership, the principal functions and the number of meetings held in 2018 for each standing Board committee:

Audit Committee**Chair**

Mr. Schumann

Committee Members

Mr. Alexander

Mr. Barril

Ms. Williams

Meetings Held in 2018

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Our Board has determined that all members of the Audit Committee are independent and financially literate under NYSE Listed Company Manual Sections 303A.02 and 303A.07, respectively, and that Messrs. Schumann and Alexander and Ms. Williams 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.

Principal Functions and Additional Information

Monitors our financial reporting process and internal control system.

Oversees the preparation of our financial statements.

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”) and the requirements of Audit Committees as established by the NYSE.

Evaluates the independence, qualifications, performance and compensation of our independent registered public accounting firm.

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.

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CORPORATE GOVERNANCE

**Compensation
Committee**

Chair

Mr. Kissel

Committee Members

Mr. Flury

Mr. Luquette

Ms. Shafer-Malicki

Meetings Held in 2018

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Principal Functions and Additional Information

Oversees the design of our officer and director compensation plans, policies and programs.

Approves and/or recommends to the Board for approval such officer and director compensation plans, policies and programs.

Evaluates employee benefit plans.

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 2018, 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, Chief Human Resources Officer, for the approval of long-term incentive awards 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.

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Governance Committee

Chair	Principal Functions and Additional Information
Mr. Flury	Identifies individuals qualified to become Board members and recommends to the Board each year the director nominees for the next annual meeting of stockholders.
Committee Members	Recommends to the Board the directors to serve on each Board committee.
Mr. Bookout	Leads the Board in its annual review of the performance of the Board and its committees.
Mr. Miller	Develops, reviews and recommends to the Board any changes to our Corporate Governance Guidelines the Governance Committee deems appropriate.
Ms. Shafer-Malicki	Oversees the annual evaluation of our Chief Executive Officer (in conjunction with the Compensation Committee).
Meetings Held in 2018	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.
3	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.

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, 2018, 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, 2018 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-person 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 Chief Legal Officer ("CLO") 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 CLO 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

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CORPORATE GOVERNANCE

the best interests of McDermott. We employ Mr. L. Richard Flury's son, Geoffrey Flury, as director of quality operations at our Walker, Louisiana operations. Mr. L. Richard Flury is a member of the Board as well as Chair of the Governance Committee and a member of the Compensation Committee. The Governance Committee, with Mr. Flury abstaining, determined that this relationship does not affect Mr. Flury's independence because Geoffrey Flury is not an executive officer and received his compensation solely for service as an employee. There were no other such transactions found to be directly or indirectly material to a related person required by SEC rules to be disclosed in this proxy statement.

COMPENSATION OF DIRECTORS

Under our 2018 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	120,000
Audit Committee Chair Retainer	20,000
Compensation Committee Chair Retainer	20,000
Governance Committee Chair Retainer	15,000
Transition Committee Chair Retainer	50,000
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 director is a member) attended in excess of the twelfth Board or Committee meeting per annual director term	2,500

In 2018, we made certain changes to our nonemployee director compensation program as a result of the increased size and scale of McDermott following the Combination. Our independent compensation consultant, Meridian Compensation Partners, LLC, performed a competitive review of our nonemployee director compensation program relative to a group of post-Combination peer companies, which showed that our nonemployee director compensation levels were below our peer median. Accordingly, Meridian recommended adjustments to reduce the gap relative to our post-Combination peers. Based on information provided by Meridian, the Governance Committee approved the following changes to our nonemployee director compensation program:

- Increase in the annual Board member retainer from \$85,000 to \$120,000;
- Increase the Governance Committee Chair retainer from \$10,000 to \$15,000;
- Increase the annual restricted stock award from \$135,000 to \$150,000.

Even with these increases, our nonemployee director compensation levels remain below the peer median. Additionally, McDermott will assume any tax liabilities incurred by any nonemployee director in the United Kingdom as a result of our establishment of tax residency in the United Kingdom.

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The table below summarizes the compensation earned by or paid to our nonemployee directors during the year ended December 31, 2018.

DIRECTOR COMPENSATION TABLE

Name	Fees Earned or Paid in Cash (\$)⁽¹⁾	Stock Awards (\$)⁽²⁾	Total (\$)
Forbes I.J. Alexander	74,798	149,983	224,781
Philippe C. Barril	150,636	149,983	300,619
John F. Bookout, III	120,417	149,983	270,399
L. Richard Flury	84,113	149,983	234,096
Stephen G. Hanks⁽³⁾	50,323	0	50,323
Erich Kaeser⁽³⁾	40,618	0	40,618
W. Craig Kissel	87,594	149,983	237,577
Gary P. Luquette	271,137	149,983	421,119
James H. Miller	74,798	149,983	224,781
William H. Schumann, III	140,417	149,983	290,399
Mary L. Shafer-Malicki	120,417	149,983	270,399
David A. Trice⁽³⁾	46,720	0	46,720
Marsha C. Williams	74,798	149,983	224,781

The amounts reported in this column include the annual retainers paid to each director, additional retainers paid to the Chair of the Board and Committee Chairs and additional meeting fees for each meeting of the Board or a Committee (of which the director is a member) attended in excess of the twelfth Board or Committee meeting per director term.

(1) Under our 2018 director compensation program, equity compensation for nonemployee directors included a discretionary annual stock grant. On June 6, 2018, each of the nonemployee directors then serving as a director received a grant of 7,078 shares of restricted stock valued at \$149,983, 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 (\$21.19). 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 19 to our Consolidated Financial

(2) Statements included in our Annual Report of Form 10-K for the year ended December 31, 2018.

(3) Each of Messrs. Hanks, Kaeser and Trice ceased serving as a director upon completion of the Combination.

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EXECUTIVE OFFICER PROFILES

The following profiles provide the relevant experience, age and tenure with McDermott as of May 2, 2019 of our Chief Executive Officer, Chief Financial Officer and other executive officers currently employed by McDermott.

DAVID DICKSON President and Chief Executive Officer

Age	Tenure
51	5 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 25 years of offshore oilfield engineering and construction business experience, including 11 years of experience with 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. Mr. Dickson also supported the Technip organization by managing key customer accounts with international oil companies based in the United States. Mr. Dickson has also served on the board of directors of the National Safety Council since October 2018.

STUART SPENCE Executive Vice President and Chief Financial Officer

Age	Tenure
50	5 years

Mr. Spence has served as our Executive Vice President and Chief Financial Officer since August 2014. Mr. Spence has over 25 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).

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JOHN M. FREEMAN Executive Vice President, Chief Legal Officer and Corporate Secretary

Age	Tenure
57	1 year

Mr. Freeman has served as our Executive Vice President, Chief Legal Officer and Corporate Secretary since May 2018. Previously, he served as our Senior Vice President, General Counsel and Corporate Secretary from August 2017 to May 2018. He has more than 30 years of legal and compliance experience in both the private and public sectors. Prior to joining McDermott, Mr. Freeman served at TechnipFMC plc as Special Advisor to the Integration of Technip and FMC from January 2017 to August 2017, and, before the combination of those two companies, served in various executive roles at Technip, including: Global General Counsel, Technip Group (Paris, France) from November 2015 through January 2017; Executive Vice President, Technip Group Legal Business & Operations Counsel (Paris, France), from May 2015 through October 2015; and Vice President, General Counsel, Corporate Secretary & Regional Compliance Officer, Technip USA, Inc. (Houston, Texas), from April 2009 through April 2015. From 2004 to 2009, Mr. Freeman held various senior legal and compliance positions at Baker Hughes Incorporated, after having served in several roles of increasing responsibility for Pennzoil-Quaker State Company and as an attorney at a Washington, D.C. law firm. He began his legal career in 1989 as a prosecuting attorney for the U.S. federal government.

SAMIK MUKHERJEE Executive Vice President, Chief Operating Officer

Age	Tenure
48	10 months

Mr. Mukherjee has served as our Executive Vice President, Chief Operating Officer since July 2018. He has more than 25 years of experience in sales, operations and strategy, serving in leadership and executive-level roles for the upstream and downstream oil and gas industry around the world. Prior to joining McDermott, Mr. Mukherjee was Executive Vice President of Corporate Development, Strategy, Mergers and Acquisitions, Digital and IT of TechnipFMC. Previously, he served as Senior Vice President, Region EMIA, Operating Centers Coordination & Region Change Management Officer of Technip France from May 2016 to October 2017. Prior to that position, he served as Group Senior Vice President, Strategy and Business Development of Technip Corporate from June 2015 to May 2016, as Country Head and Managing Director of Technip India from January 2012 to June 2015, and held a number of other senior corporate and operational positions during his career with Technip, which commenced in 1998.

DANIEL M. McCARTHY Executive Vice President, Lummus Technology

Age	Tenure
68	1 year

McCarthy has served as our Executive Vice President, Lummus Technology since May 2018. Previously, he served as CB&I's Executive Vice President, Technology from December 2011 to May 2018. He joined CB&I through the acquisition of the Lummus business from ABB, Asea Brown Boveri Ltd., in 2007 and served as President, Lummus Technology from November 2007 to December 2011. At Lummus he served as Executive Vice President, North America from April 2006 to November 2007 and was Executive Vice President of Lummus Technology from December 2003 to November 2007.

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STEPHEN L. ALLEN Senior Vice President, Chief Human Resources Officer

Age	Tenure
66	4 years

Mr. Allen has served as our Senior Vice President, Chief Human Resources Officer since May 2018. He previously served as our Senior Vice President, Human Resources from March 2014 until his retirement in July 2016. From July 2016 until re-joining the Company in May 2018, he provided consulting services to McDermott. Previously, he served as Senior Vice President, Human Resources for Technip USA, Inc. (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.

LINH AUSTIN Senior Vice President, Middle East & North Africa

Age	Tenure
49	4 years

Mr. Austin has served as our Senior Vice President, Middle East & North Africa since May 2018. Previously, he served: as our Vice President, Middle East and Caspian, from January 2016 to May 2018; and as our Senior Director Operations, Middle East from January 2015 to January 2016. 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 Abu Dhabi Marine Operating Company (ADMA-OPCO). Prior to joining McDermott, he served as Senior Advisor for ADMA-OPCO from August 2013 until January 2015. Prior to his employment with ADMA-OPCO, Mr. Austin served with BP plc and Atlantic Richfield Company in various operational and project leadership roles in the upstream and the downstream sectors with increasing levels of responsibility since 1993.

MARK COSCIO Senior Vice President, North, Central & South America

Age	Tenure
44	1 year

Mr. Coscio has served as our Senior Vice President, North, Central & South America since March 2019 and was formerly our Vice President, Petrochemical Operations, beginning in May 2018. Previously, Mr. Coscio served in several positions of increasing responsibility during his employment with CB&I, which commenced in 2001, including: Senior Vice President, Project Operations, Engineering and Construction, from January 2014 to May 2018; Senior Vice President, Randall Gas Technologies, from January 2011 to January 2014; Vice President, Corporate Planning, from September 2008 to December 2010 and other project management roles from 2001 to 2008. Prior to joining CB&I, from 1998 to 2001, Mr. Coscio served as a Project Manager for Pitt Des Moines, a specialty engineering, procurement and construction company which CB&I acquired in 2001.

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TAREQ KAWASH Senior Vice President, Europe, Africa, Russia & Caspian

Age	Tenure
50	1 year

Mr. Kawash has served as our Senior Vice President, Africa, Russia & Caspian since May 2018. Previously, he served as CB&I's: Group Vice President, Engineering and Construction International from December 2016 to May 2018; Vice President, Project Operations from March 2016 to December 2016; and Vice President, Business Development, Europe, Caspian, Middle East and Africa from August 2014 to March 2016, and has held several project management roles from 2000 to 2014. Prior to joining CB&I in 2000, he served in various roles of increasing responsibility at Consolidated Contractors Company from 1993 to 2000 and at KBR, Inc. from 1991 to 1993.

NEIL GUNNION Senior Vice President, Project Execution and Delivery

Age	Tenure
42	1 year

Mr. Gunnion has served as our Senior Vice President, Project Execution and Delivery since October 2018. Previously, he served as our Vice President - Operations Lead (Offshore) North, Central and South America, from May 2018 to September 2018; and as our Senior Director Project and Operations, from July 2017 to May 2018. Prior to joining McDermott, he served as the Senior Vice President for the Americas for Genesis, from November 2015 to July 2017. Before joining Genesis, he was the Vice President Commercial for Technip for its offshore and subsea business in North America from March 2014 to October 2015 and served in other corporate and project management roles at Technip with increasing levels of responsibility from July 2012 to March 2014.

BRIAN McLAUGHLIN Senior Vice President, Chief Commercial Officer

Age	Tenure
48	13 years

Mr. McLaughlin has served as our Senior Vice President, Chief Commercial Officer, since May 2018. Previously, he served as our: Senior Vice President, Commercial, from September 2015 to May 2018; 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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SCOTT MUNRO Senior Vice President, Chief Corporate Development Officer

Age	Tenure
44	5 years

Mr. Munro has served as our Senior Vice President, Chief Corporate Development Officer since May 2018. Previously, he served as our: Vice President, Americas, Europe and Africa from January 2015 to May 2018; 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.

IAN PRESCOTT Senior Vice President, Asia Pacific

Age	Tenure
55	1 year 5 months

Mr. Prescott has served as our Senior Vice President, Asia Pacific since May 2018. Previously he served as our Vice President, Asia from January 2018 to May 2018. Mr. Prescott has more than 28 years of extensive operational, marketing and business unit responsibilities for production and processing solutions businesses in the upstream oil and gas sector, including engineering and fabrication. Prior to joining McDermott, he served as: Senior Vice President for SNC-Lavalin Group, Inc., from August 2015 to December 2017; Chief Executive Officer for Global Process Systems from May 2010 to May 2015; and Director, Asia for Global Process Systems from January 2008 to May 2010. He has also held key leadership positions with PAE (Thailand) PLC and Aker Solutions ASA (prior to 2008, known as Aker Kvaerner).

CHRIS KRUMMEL Global Vice President, Finance and Chief Accounting Officer

Age	Tenure
51	2 years

Mr. Krummel has served as our Vice President, Finance and Chief Accounting Officer since October 2016. Prior to joining McDermott, Mr. Krummel served as a consultant of American Industrial Partners, a firm engaging in private equity investments in industrial businesses in the United States and Canada, from November 2015 through July 2016; Chief Financial Officer and Vice President of EnTrans International, LLC, a global manufacturer of aluminum tank trailers, heavy lift trailers and oilfield pressure pumping equipment used in hydraulic fracturing and other well services, from September 2014 to October 2015; and Chief Accounting Officer, Vice President and Corporate Controller / Vice President of Finance of Cameron International, a worldwide provider of flow equipment products, systems and services to oil, gas and process industries from April 2008 until August 2014. Mr. Krummel has also served as a member of the Board of Directors of Eco-Stim Energy Solutions, Inc., an environmentally-focused well stimulation and completion company, since January 2014.

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Executive Compensation

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 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 2019 annual meeting of stockholders, is hereby APPROVED.”

Although the resolution 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.

COMPENSATION DISCUSSION & ANALYSIS

INTRODUCTION

The following Compensation Discussion and Analysis, or CD&A, provides information relevant to understanding the 2018 compensation of our executive officers identified in the Summary Compensation Table, whom we refer to as our NEOs. For 2018, our NEOs and their current respective titles were as follows:

- David Dickson, our President and Chief Executive Officer;
- Stuart Spence, our Executive Vice President and Chief Financial Officer;
- John M. Freeman, our Executive Vice President, Chief Legal Officer and Corporate Secretary;
- Samik Mukherjee, our Executive Vice President, Chief Operating Officer; and
- Ian Prescott, our Senior Vice President, Asia Pacific.

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**OUR BUSINESS, THE COMBINATION AND OUR 2018 POST-COMBINATION OPERATING STRATEGY**

McDermott is a premier, fully integrated provider of technology, engineering and construction solutions to the energy industry. We design and build end-to-end infrastructure and technology solutions to transport and transform oil and gas into the products the world needs today. Our proprietary technologies, integrated expertise and comprehensive solutions deliver certainty, innovation and added value to energy projects around the world. Operating in over 54 countries across the Americas, Europe, Africa, Asia and Australia, our locally focused and globally-integrated resources include approximately 40,000 employees and engineers, a diversified fleet of specialty marine construction vessels and fabrication facilities around the world. As an industry leader in the technology space, McDermott offers licensed process technologies, catalysts, specialized equipment and engineered products for use in petrochemical facilities, oil refineries and gas processing plants.

On May 10, 2018, McDermott completed its combination (the "Combination") with Chicago Bridge & Iron Company N.V. ("CB&I"). The completion of the Combination represented the culmination of a multi-year process through which McDermott's Board of Directors and executive management team considered both organic and inorganic strategies to increase the size and scale of the organization. The result of the Combination is the creation of a transformed company: a premier, fully integrated, global engineering, procurement, construction and installation ("EPCI") provider, with product solutions spanning onshore and offshore from concept to commissioning. Today, we are a fundamentally different and much larger company as compared to where we were at the end of 2017, with significant earnings potential as provided below:

REVENUES

\$ in billions

123%**BACKLOG**

\$ in billions

179%**ORDER INTAKE**

\$ in billions

115%

Under the continued leadership of our President and Chief Executive Officer, David Dickson, our post-Combination 2018 operating strategy was to pioneer a new kind of company, with a focus on the following strategic objectives:

Integrate

Complete the integration with CB&I successfully to establish a top tier, vertically integrated engineering, procurement and construction company, competitively differentiated in technology, customer relationships, culture and geographic footprint

Drive

Drive savings throughout the organization and embody a best in class culture, with a focus on achieving synergy savings via the Combination Profitability Initiative, or CPI

Position

Develop strategy to position McDermott for future growth by capitalizing on a robust revenue opportunity pipeline and growing end markets

Discipline

Exercise disciplined bidding through thorough evaluation and assessment of project risk profiles

Execute

Deliver excellence in execution through implementation of the One McDermott Way

Throughout this CD&A, we refer to McDermott prior to the Combination as Legacy McDermott.

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EXECUTIVE COMPENSATION

COMPENSATION PHILOSOPHY AND 2018 COMPENSATION PROGRAM DESIGN AND LEVELS**Compensation Philosophy**

The Compensation Committee is committed to targeting reasonable and competitive total direct compensation, or “TDC”, for our NEOs, with a significant portion of that compensation being performance based. Our compensation programs are designed to align with and 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:

<p>Provides performance-based incentives to reward achievement of short and long-term business goals and strategic objectives while recognizing individual contributions</p> <p>Aligns the interests of our executives with those of our stockholders</p>	<p>Attracts, motivates and retains high-performing executives</p>
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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.

2018 Compensation Program

Reflecting this philosophy, our NEO compensation arrangements in 2018 provided for the continuing use of three elements of TDC: annual base salary; annual incentive provided under our Executive Incentive Compensation Plan, or EICP; and long-term incentives, or LTI.

In consideration of the anticipated Combination, in making compensation decisions for 2018, the Compensation Committee bifurcated the year into pre-Combination and post-Combination periods. For the pre-Combination period, the Compensation Committee deferred any significant changes to the elements of executive officer target TDC. Instead, the Compensation Committee generally maintained consistency with 2017 compensation levels for each element of target TDC, but only awarded 50% of 2017 target LTI award values, in the form of Restricted Stock Units, for the pre-Combination period.

Following the completion of the Combination, the newly constituted Compensation Committee, which now includes former CB&I directors as members, met to consider executive officer compensation. In determining the appropriate plan design and levels of compensation, the Compensation Committee took into consideration a number of factors, including the significantly increased size and scale, newly established operating strategy and short- and long-term goals of McDermott. As a result of this review, the Compensation Committee approved the following elements of executive officer compensation:

POST-COMBINATION PERIOD**Annual Base Salary**

Annual base salary increases provided to align with market median

EICP

Adjusted Operating Income and Adjusted Free Cash Flow Identified as Financial Performance Metrics

Target EICP award increases provided to align with market median

LTI

50% of 2018 Target LTI Awarded as Performance Units

Additional Restricted Stock Units awarded to achieve 50% of 2018 Target LTI

Target LTI award value increases to align with market median

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EXECUTIVE COMPENSATION

In selecting performance metrics and performance levels for the elements of annual and long-term compensation for both the pre- and post-Combination periods, the Compensation Committee sought to support McDermott’s strategic and financial goals, and drive the creation of stockholder value. Specifically, the Compensation Committee considered McDermott’s strategic objectives in determining financial metrics for executive compensation, as set forth below.

Performance metrics and performance levels used within elements of annual and long-term compensation support our strategic and financial goals and drive the creation of stockholder value

	Strategic Objective	Performance Metric
2018 EXECUTIVE INCENTIVE COMPENSATION PLAN	Integrate & Execute Drive profitability via improved project execution	Adjusted Operating Income
	Drive Prioritize liquidity needs	Adjusted Free Cash Flow
	Position Support future business	Order Intake
2018 LONG-TERM INCENTIVE PLAN — PERFORMANCE UNITS	Integrate, Discipline & Execute Generate returns for stockholders	Relative Total Shareholder Return

As a result of the Compensation Committee’s actions, the post-Combination mix of target TDC for Mr. Dickson for 2018 is shown in the chart below:

CEO 2018 POST-COMBINATION TARGET TOTAL DIRECT COMPENSATION

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EXECUTIVE COMPENSATION

2018 PERFORMANCE HIGHLIGHTS & PAY FOR PERFORMANCE ALIGNMENT

2018 Performance

McDermott's most significant achievement in 2018 was the completion of the Combination, which transformed the company and positioned McDermott as a premier, fully integrated global provider of technology and EPCI solutions for the energy industry. As a result, McDermott's scale has significantly grown, with year-over-year revenues increased by 128%, backlog nearly tripling to the highest backlog of the company in its recent past and substantial order intake to provide future earnings potential.

McDermott also achieved the following noteworthy integration, strategic and operational accomplishments in 2018:

Strong liquidity position, with \$1.4 billion of total cash availability as of December 31, 2018.

Targeted over \$475 million in annual run rate target savings under our Combination Profitability Initiative, or CPI, with \$444 million of annualized cost synergies actioned through December 31, 2018.

Completed a strategic review of our business portfolio and developed plans to seek buyers for the tank storage business and U.S. pipe fabrication businesses, which are not core to our vertical integration.

Adjusted our operating model to account for our new, broader portfolio and footprint and implemented the One McDermott Way across the current project portfolio and prospective project bids, driving value for customers and stockholders.

While substantial charges were incurred with respect to certain legacy CB&I projects, significant remedial measures have been taken to address performance issues on those projects, including the installation of new executive leadership team members, improvements in reporting structures, executive plans and forecast cost-base methodology and the flow of communication across the joint venture members and customers.

In evaluating the performance of David Dickson, our President and Chief Executive Officer, the Board considered the relatively short time frame post-Combination in which McDermott was able to achieve these notable strategic and operational achievements under Mr. Dickson's leadership. The Compensation Committee believes that Mr. Dickson has succeeded in positioning McDermott for significant long-term growth, while maintaining and strengthening customer and stakeholder relationships and establishing and promoting a strong culture for post-Combination McDermott.

Pay for Performance Alignment

Notwithstanding McDermott's achievements in 2018, the company experienced a declining stock price that severely impacted the value of Mr. Dickson's long-term incentives as of December 31, 2018, as shown in the graphic below:

\$6.4 million

* The LTI award value as of December 31, 2018 is based on McDermott's closing stock price as of December 31, 2018. The value of performance units as of December 31, 2018 is based on achieving threshold performance.

This significant reduction in value exhibits McDermott's pay-for-performance philosophy and the alignment of our compensation programs with the interests of our stockholders.

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EXECUTIVE COMPENSATION

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:

What we do**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 NEO's target value long-term incentive compensation.

Meaningful Stock Ownership Guidelines

We have stock ownership guidelines for our NEOs that generally 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 & Equity Agreements

Our change in control agreements and, beginning in 2016, our equity award agreements provide benefits only upon an involuntary termination or constructive termination of the executive officer within one year following a change in control.

Independent Compensation Consultant

The Compensation Committee retains an independent compensation consultant to advise on executive compensation program and practices.

Annual Compensation Risk Assessment

Our compensation consultant assists the Compensation Committee in conducting an annual risk assessment of our compensation programs.

What we don't do**Derivatives Trading, Hedging or Pledging of McDermott 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.

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 Directed Perquisite Program

The Compensation Committee provides reimbursement to members of McDermott's executive committee, or EXCOM (which includes all of our NEOs), 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).

Clawback Policy

We have a clawback policy that allows McDermott to recover, under certain circumstances, compensation paid to executive officers.

Repricing of Underwater Stock Options

Our equity incentive plans do not permit repricing or exchange of underwater stock options without stockholder approval.

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EXECUTIVE COMPENSATION

IMPACT OF 2018 SAY ON PAY VOTE ON EXECUTIVE COMPENSATION AND STOCKHOLDER OUTREACH

2018 Stockholder Say on Pay Vote

In 2018, over 96% of our stockholders voted in favor of our executive compensation program. During both the Spring and Fall of 2018, in advance of our Annual Meeting of Stockholders, we reached out to stockholders representing approximately 40% of our outstanding shares of common stock and other stakeholders to gain insight regarding their perspectives on corporate governance and compensation matters. Based on recent improvements to our governance and compensation practices and positive say-on-pay results, no meetings were requested by our stockholders to discuss these topics, which we believe is an indication of our stockholders' support of our current compensation and governance framework. Our Board considered the 2018 say on pay vote and the matters discussed during our 2018 stockholder and stakeholder outreach efforts in considering any changes or enhancements to our governance and compensation practices.

STOCKHOLDER OUTREACH CYCLE

- | | | | |
|------------------------|-----------------------------|-----------------------------|-------------------------|
| 1 | 2 | 3 | 4 |
| Say on Pay Vote | Stockholder Outreach | Stockholder Feedback | Board Engagement |

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EXECUTIVE COMPENSATION

2018 COMPENSATION PROGRAM

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, which it considers to be "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 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 at target level), as applicable. The Compensation Committee's goal is to establish target compensation for each element that, when combined, creates 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 the external market and internal pay equity considerations.

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 2018, EICP bonus pool funding was entirely based on our financial performance, with each participant's actual bonus award determined by achievement of the participant's individual performance goals.

2018 Financial Performance Goals and Financial Performance Results. In consideration of the anticipated Combination, in 2018 the Compensation Committee bifurcated the EICP design among pre- and post-Combination periods.

For the pre-Combination period, the Compensation Committee approved Adjusted Operating Income and Adjusted Free Cash Flow, weighted 50% each, as financial metrics under the EICP. The pre-Combination financial metric performance goals were established with consideration of management's internal forecast of Legacy McDermott's 2018 financial results through April 30, 2018, and were utilized to determine the EICP pool funding multiple for the pre-Combination period.

For the post-Combination period, the Compensation Committee continued the use of Adjusted Operating Income and Adjusted Free Cash Flow (defined as cash from operations less capital expenditures), weighted 50% each, as the financial metrics under the EICP. The post-Combination financial metric performance goals were established with consideration of management's internal forecast of McDermott's 2018 financial results from July 1, 2018 through December 31, 2018 and were utilized to determine the EICP pool funding multiple for the post-Combination period.

In approving the EICP design for each of the pre- and post-Combination periods, the Compensation Committee determined that the EICP pool funding multiple for each respective period will not be less than 0.5x nor more than 2.0x, and that the Compensation Committee has the discretion to increase or decrease the EICP pool funding multiple at any time in its sole discretion (subject to

the maximum EICP pool funding of 2.0x).

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McDermott's actual performance (including Legacy McDermott only for the pre-Combination period) against the stated goals determines the funding multiple for each financial metric performance goal, with the sum of the weighted funding multiples determining the EICP pool funding for each of the pre- and post-Combination periods.

PRE-COMBINATION

Plan Design						Actual Results & EICP Pool Funding Multiple		
Weight	Financial Metric	Reason Metric Selected	Performance Level	Financial Metric Performance Goal	Funding Multiple	Actual Result*	Weighted Funding Multiple	EICP Pool Funding Multiple
	Adjusted Operating Income	Reflects execution performance	Threshold	\$68M	0.5x			
			Target	\$90M	1.0x			
			Maximum	\$113M	2.0x	\$111M	0.952x	
		Prioritizes liquidity	Threshold	\$(68)M	0.5x			
			Target	\$(54)M	1.0x			
	Adjusted Free Cash Flow	liquidity needs	Target	\$(54)M	1.0x			
			Maximum	\$(41)M	2.0x	\$111M	1.000x	1.952x

POST-COMBINATION

Plan Design						Actual Results & EICP Pool Funding Multiple		
Weight	Financial Metric	Reason Metric Selected	Performance Level	Financial Metric Performance Goal	Funding Multiple	Actual Result*	Weighted Funding Multiple	EICP Pool Funding Multiple
	Adjusted Operating Income	Reflects execution performance	Threshold	\$382M	0.5x			
			Target	\$449M	1.0x			
			Maximum	\$516M	2.0x	\$(9)M	Below Threshold	
		Prioritizes liquidity	Threshold	\$252M	0.5x			
			Target	\$296M	1.0x			
	Adjusted Free Cash Flow	liquidity needs	Target	\$296M	1.0x			
			Maximum	\$340M	2.0x	\$(549)M	Below Threshold	0.500x

Adjusted Operating Income and Free Cash Flow are non-GAAP financial measures. See Page 94 for a reconciliation of the non-GAAP measures *to the most comparable GAAP measures.

As a result of the EICP pool funding multiple determined above, each NEO, with the exception of Mr. Mukherjee, was eligible to earn 1.952x of his target EICP award for the pre-Combination period, and 0.5x of his target EICP award for the post-Combination period, subject to modification by the Compensation Committee, based on his achievement of individual performance goals. Due to Mr. Mukherjee's employment with McDermott beginning during the post-Combination period on July 3, 2018, Mr. Mukherjee was eligible to earn 0.5x of his target EICP award, subject to modification by the Compensation Committee, based on his achievement of individual performance goals.

Individual Performance Goals. Following the determination of the EICP pool funding multiple, each individual participant's award was determined based on the achievement of the participant's individual performance goals. The Compensation Committee had the discretion to decrease the amount of payout to any participant based on his or her performance against his or her individual performance goals.

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.

As with the EICP, in consideration of the anticipated Combination, the Compensation Committee bifurcated 2018 LTI awards among the pre- and post-Combination periods, primarily to allow the post-Combination Compensation Committee the opportunity to determine target LTI award amounts, allocation among types of LTI awards and financial metrics for performance-based awards that were more appropriate for the post-Combination McDermott and in alignment with our stockholder interests over the long term.

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EXECUTIVE COMPENSATION

Specifically, in the pre-Combination period, the Compensation Committee awarded only restricted stock units, or RSUs, with the value of such awards being based on 50% of each NEO's 2017 target LTI award, with the exception of Messrs. Mukherjee and Prescott. Because Mr. Mukherjee's employment with McDermott began on July 3, 2018, he did not receive an LTI award during the pre-Combination period. Because Mr. Prescott's employment with McDermott began on January 8, 2018, the Compensation Committee awarded him RSUs valued at 50% of the 2017 target LTI for similarly situated executive officers.

In the post-Combination period, as expected, the Compensation Committee reassessed the target LTI award amounts and the allocation among types of LTI awards and awarded Performance Units and additional RSUs, maintaining an allocation of 2018 target LTI awards to 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 number of performance units awarded in 2018 which will ultimately be earned and vest, if any, will be determined with (1) 50% based on aggregate consolidated order intake for the performance period from July 1, 2018 through December 31, 2020, and (2) 50% based on McDermott's relative total shareholder return as compared to the Performance Peer Group (as defined on page 53 of this CD&A) for the performance period from May 10, 2018 through December 31, 2020.

The Compensation Committee identified order intake as a performance metric for 50% of the 2018 performance unit awards based on its belief that this metric ties specifically to McDermott's strategy of positioning itself for future growth by capitalizing on its robust revenue opportunity pipeline and growing end markets. The Compensation Committee also believes the performance units should remain highly sensitive to McDermott's stock price, in order to further align management's interests with those of our stockholders, and, accordingly, identified relative total shareholder return as the performance metric for the remaining 50% of the 2018 performance unit awards. For the 50% portion of the 2018 performance units based on aggregate consolidated order intake, up to 150% of a participant's target award may be earned, and for the 50% portion of the 2018 performance units based on relative total shareholder return, up to 200% of a participant's target award may be earned, to further the alignment of management's interests with those of our stockholders. If earned, 2018 performance units are structured to 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.

The earned award with respect to the aggregate consolidated order intake metric over the performance period from July 1, 2018 through December 31, 2020 will be determined as follows:

Performance Level*	Earned Award
Maximum	150%
Target	100%
Threshold	50%
	0%

Due to the nature of our business, order intake goals are competitively sensitive and therefore are not disclosed. The performance goals were *established based on McDermott's internal forecast.

The earned award with respect to the relative total shareholder return metric over the performance period from May 10, 2018 through December 31, 2020 will be determined as follows:

Total Shareholder Return Percentile Rank	Earned Award
90 th Percentile	200%
50 th Percentile	100%
25 th Percentile	50%
<25 th Percentile	0%

Restricted Stock Units. Restricted stock units, or RSUs, are intended to promote the retention of employees, including the NEOs. The RSUs granted in 2018 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

DEFINING MARKET RANGE COMPENSATION – 2018 BENCHMARKING AND PEER GROUPS

To identify median compensation for each element of total direct compensation, the Compensation Committee relies on “benchmarking.” This involves reviewing the compensation of our NEOs relative to the compensation paid to similarly situated executives at companies we consider our peers. As a result, the annual base salary, target annual incentive compensation, target LTI and target total direct compensation (which may not be additive from the three individual elements of target TDC) for each of the NEOs is benchmarked. However, the specific performance metrics and performance levels used within elements of annual and long-term compensation are designed for the principal purpose of supporting our strategic and financial goals and driving the creation of stockholder value, and, as a result, generally are not benchmarked.

Compensation Peer Group

It is the Compensation Committee’s practice to periodically review and consider the individual companies used for benchmarking purposes. As part of this practice, and in consideration of the significantly increased size and scope of McDermott following the Combination, the Compensation Committee selected a new set of peers for executive compensation benchmarking purposes. In selecting the companies included in the revised peer group, the Compensation Committee identified a number of desired traits, including companies in related industries, with executive roles of comparable size and scope, roles requiring comparable expertise and indicative of who McDermott may compete with for talent. The Compensation Committee believes that identification of peers using a broad industry sector code is inadequate and does not establish similarity of operations and business models, nor identify historical competitors for managerial talent – factors the Compensation Committee considers in the selection of companies for benchmarking purposes. Therefore, the Compensation Committee considers revenues as the primary indicator of company size and scope, but also routinely looks at other financial and capital value metrics. In this CD&A, we refer to this peer group, which is utilized to develop benchmarks for the amount of compensation opportunities awards to the executive officers, as the “Compensation Peer Group.” For Messrs. Dickson, Spence, Freeman and Mukherjee, market data from the Compensation Peer Group was reflective of compensation as reported in the 2018 proxy statements (and subsequent public disclosures, where applicable) of the companies in the Compensation Peer Group. Market data from the Compensation Peer Group was not utilized in making compensation decisions for Mr. Prescott, due to the limited proxy statement disclosures and corresponding compensation information available relating to his position. The component companies of the Compensation Peer Group are as follows:

AECOM	MasTec, Inc.
Dover Corporation	National Oilwell Varco, Inc.
EMCOR Group, Inc.	Parker-Hannifin Corporation
Fluor Corporation	Quanta Services, Inc.
Ingersoll-Rand plc	Stanley Black & Decker, Inc.
Jacobs Engineering Group Inc.	TechnipFMC plc
KBR, Inc.	Weatherford International plc

The only companies from this Compensation Peer Group which were also included in the peer group utilized for executive compensation benchmarking purposes in 2017, which we referred to as the Proxy Peer Group, are Jacobs Engineering Group, Inc. and KBR, Inc.

Survey Peer Group

The Compensation Committee also utilized market data based on a set of companies in similar industries which participated in the Willis Towers Watson 2017 general industry survey, which we refer to as the “Survey Peer Group”. Aside from screening companies on the basis of their industry classifications and revenues, no further refinements or judgements were applied in the identification of companies within the sample. The Survey Peer Group is intended to provide a reference point for pay levels within similar industries, and was used as a secondary reference for Messrs. Dickson, Spence, Freeman and Mukherjee, and a primary reference for Mr. Prescott.

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Performance Peer Group

Similar to the Compensation Committee's review of the Compensation Peer Group, in consideration of the significantly increased size and scope of McDermott following the Combination, the Compensation Committee selected a new set of peers for use in connection with our 2018 Performance Unit awards. This set of peers, referred to as the Performance Peer Group, is referenced to develop relative industry benchmarks of company performance, with consideration of market conditions. In selecting the revised Performance Peer Group companies, the Compensation Committee identified a number of desired traits, including companies in similar or related industries, that are similarly influenced by the same macro-economic factors and are indicative of who McDermott may compete with for capital. The component companies of the Performance Peer Group are as follows:

AECOM	Petrofac Limited
Fluor Corporation	Saipem SpA
Halliburton Company	Schlumberger Limited
Jacobs Engineering Group Inc.	Subsea 7 SA
KBR, Inc.	TechnipFMC plc
National Oilwell Varco, Inc.	Wood plc

2018 NEO TARGET TOTAL DIRECT COMPENSATION

In evaluating and awarding 2018 NEO compensation post-Combination, the Compensation Committee reviewed market data provided by Meridian Compensation Partners, LLC ("Meridian"), our independent compensation consultant, which reflected benchmarks that indicated a higher range of compensation opportunities commensurate with a larger, more complex company. The NEO compensation approved by the Compensation Committee sought to align executives with their respective market median benchmark compensation opportunities, while establishing appropriate internal pay equity post-Combination. Accordingly, each NEO received increases to the elements of TDC in 2018. Even with those increases, however, each NEO's target TDC remains at or below to the market median compensation for his position, with the exception of Mr. Prescott, whose target TDC was established in excess of market median for the Survey Peer Group due to internal pay equity considerations.

CEO Compensation

	Annual Base Salary	Target EICP		Target LTI		2018 Target TDC	
	2018	% TDC	2018	% TDC	2018		% TDC
David Dickson President and Chief Executive Officer	\$1,125,000	10%	125%	13%	\$8,300,000	77%	\$10,831,250

McDermott Tenure:

5 years

Annual Base Salary – Following the Combination, Mr. Dickson received an increase in his annual base salary of 25%. This increase was provided to more closely align his annual base salary with the revised Compensation Peer Group market range, and resulted in his annual base salary being within 3% of market median.

Annual Incentive – As part of the Compensation Committee's bifurcated approach to the EICP in 2018, the following performance goals were approved for Mr. Dickson with respect to the pre-Combination period:

Business Execution – Deliver financial performance in line with forecast, with a focus on continuing to build backlog and profitability; continue focus on quality, health, safety, environment and security, or QHSES, performance; continue development of relationships across all stakeholders, including customers, potential co-venturers, the investment community, governments and banks.

Combination Execution – Deliver on integration plan; complete organization design; complete financing for the Combination; ensure timely completion of Combination-related filings and our special meeting of stockholders.

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The following performance goals were approved for Mr. Dickson with respect to the post-Combination period:

Financial – Deliver financial performance in line with combined company forecast, with a focus on maintaining capital discipline, developing levels of predictability in line with Legacy McDermott and reviewing the newly implemented capital structure and opportunities for improvement.

Strategic – Review capabilities of the combined company and examine investment and divestment opportunities; continue exploration and evaluation of both organic and inorganic strategic opportunities; deliver on plans for the planned maritime facility at Ras Al-Khair in Saudi Arabia.

QHSES – Integrate cultures and performance management into one system for the combined company; introduce McDermott's Taking the Lead initiative into the legacy CB&I business; increase management approach and presence toward QHSES; introduce concept of the cost of non-quality into the legacy CB&I business.

Business Development – Develop and implement key account and business development strategies.

Internal Organization – Continue to develop and integrate the post-Combination EXCOM; continue enhancement of processes for talent management and succession planning; completion of post-Combination rebranding.

The Governance Committee's assessment of these individual performance goals considered McDermott's strategic and operational successes in 2018. Notably, under Mr. Dickson's leadership, McDermott completed the Combination with CB&I, which represented the culmination of a multi-year process through which McDermott's Board of Directors and executive management team considered both organic and inorganic strategies to increase the size and scale of the organization. The result of the Combination is the creation of a transformed company – a premier, fully integrated, global EPCI provider, with product solutions spanning onshore and offshore from concept to commissioning – with significantly increased earnings potential. As a testament to the benefits of the Combination, McDermott has booked new project awards that we believe neither legacy company would have won independently, and targeted over \$475 million in annual run rate target savings under CPI, with \$444 million of annualized cost synergies actioned through December 31, 2018. While substantial charges were incurred with respect to certain legacy CB&I projects, Mr. Dickson took significant remedial measures to address performance issues on those projects, including the installation of new executive leadership team members, improvements in reporting structures, executive plans and forecast cost-base methodology and the flow of communication across the joint venture members and customers. McDermott also ended 2018 with a strong liquidity position, with \$1.4 billion of total cash availability as of December 31, 2018. To further drive value for customers and stockholders, Mr. Dickson led the adjustment of McDermott's operating model to account for our new, broader portfolio and footprint and guided the implementation of the One McDermott Way across the current project portfolio and prospective project bids. Following the Combination, McDermott completed a full strategic portfolio review, following which it was determined that the storage tank and pipe fabrication businesses should be divested, as not core to McDermott's long-term strategic objectives as a vertically integrated supplier with strong pull-through from our Technology segment. The sales processes are underway, with expected completion during 2019. Additionally, Mr. Dickson drove the integration of McDermott's QHSES processes and standards into the combined business, with the realignment of our Taking the Lead initiative to encompass the post-Combination organization, and directed focus of the cost of non-quality for the legacy CB&I business. During 2018, Mr. Dickson also significantly improved existing relationships with customers, co-venturers, the investment community, governments, banks and other stakeholders. Finally, through the completion of the Combination, Mr. Dickson established an experienced and proven leadership team, drawing on the strengths of both legacy organizations, and rolled-out a complete rebranding to modernize the face of post-Combination McDermott.

Following the Combination, Mr. Dickson received an increase in his target EICP award from 110% to 125% of his annual base salary earned, which resulted in his target EICP award equaling the revised Compensation Peer Group market median. In consideration of the Governance Committee's assessment of Mr. Dickson's achievement of his individual performance goals as discussed above, the Compensation Committee awarded Mr. Dickson a final EICP award of \$1,250,000.

Long-Term Incentive – Following the Combination, Mr. Dickson received an increase in his 2018 target long-term incentive award, after which his target LTI award was within 3% of the revised Compensation Peer Group market median.

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EXECUTIVE COMPENSATION

Other NEO Compensation

	Annual Base Salary		Target EICP		Target LTI		2018 Target TDC (\$)
	2018 (\$)	2018 TDC %	2018 TDC %	2018 TDC %	2018 (\$)	2018 TDC %	
Stuart A. Spence Executive Vice President and Chief Financial Officer	650,000	20%	100%	20%	2,000,000	60%	3,300,000
McDermott Tenure: 5 years							
John M. Freeman Executive Vice President, Chief Legal Officer and Corporate Secretary	510,000	24%	85%	20%	1,200,000	56%	2,143,500
McDermott Tenure: 1 year, 8 months							
Samik Mukherjee Executive Vice President, Chief Operating Officer	700,000	24%	100%	24%	1,500,000	52%	2,900,000