

MCDERMOTT INTERNATIONAL INC

Form DEF 14A

March 27, 2009

Table of Contents

**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 Pursuant to §240.14a-12

McDermott International, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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Table of Contents

McDermott International, Inc.

John A. Fees
Chief Executive Officer

777 N. Eldridge Pkwy.
Houston, Texas 77079

March 27, 2009

Dear Stockholder:

You are cordially invited to attend this year's Annual Meeting of Stockholders of McDermott International, Inc., which will be held on Friday, May 8, 2009, at 757 N. Eldridge Parkway, Houston, Texas 77079, on the 14th floor, commencing at 9:30 a.m. local time. The notice of annual meeting and proxy statement following this letter describe the matters to be acted on at the meeting.

McDermott is pleased to announce that we are taking advantage of the Securities and Exchange Commission's Notice and Access proxy rule, which allows companies to furnish proxy materials via the Internet as an alternative to the traditional approach of mailing a printed set to each shareholder. We believe this will allow us to continue to provide shareholders with the proxy materials they need while reducing printing and postage costs associated with delivery and reducing the environmental impact of our Annual Meeting. In accordance with these rules, we have sent a Notice of Internet Availability of Proxy Materials to all shareholders who have not previously elected to receive a printed set of proxy materials. The Notice contains instructions on how to access our Proxy Statement and Annual Report to Stockholders, as well as how to vote either online, by telephone or in person at the 2009 Annual Meeting.

It is very important that your shares are represented and voted at the Annual Meeting. Please vote your shares by Internet or telephone, or, if you received a printed set of materials by mail, by returning the accompanying proxy card, as soon as possible to ensure that your shares are voted at the meeting. Further instructions on how to vote your shares can be found in our Proxy Statement.

Thank you for your support of our company.

Sincerely yours,

JOHN A. FEES

YOUR VOTE IS IMPORTANT.

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

Table of Contents

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to Be Held on May 8, 2009.

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

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

The date, time and location of the meeting;

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

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

Information about attending the meeting and voting in person.

Table of Contents

**McDERMOTT INTERNATIONAL, INC.
777 N. Eldridge Pkwy.
Houston, Texas 77079**

Notice of 2009 Annual Meeting of Stockholders

The 2009 Annual Meeting of the Stockholders of McDermott International, Inc., a Panamanian corporation, will be held at 757 N. Eldridge Parkway, Houston, Texas 77079, on the 14th floor, on Friday, May 8, 2009, at 9:30 a.m. local time, in order to:

- (1) elect three Class I Directors for a term of one year and three Class II Directors for a term of one year;
- (2) approve the 2009 McDermott International, Inc. Long-Term Incentive Plan;
- (3) ratify our Audit Committee's appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the year ending December 31, 2009; and
- (4) transact such other business as may properly come before the meeting or any adjournment thereof.

If you were a stockholder as of the close of business on March 9, 2009, you are entitled to vote at the meeting and at any adjournment thereof.

This year, instead of mailing a printed copy of our proxy materials, including our Annual Report, to each shareholder of record, we have decided to provide 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 shareholders. Accordingly, on March 27, 2009, we began mailing a Notice of Internet Availability of Proxy Materials (the Notice) to all shareholders of record as of March 9, 2009, and posted our proxy materials on the Web site referenced in the Notice (www.proxyvote.com). As more fully described in the Notice, all shareholders may choose to access our proxy materials on the Web site referred to in the Notice or may request a printed set of our proxy materials. In addition, the Notice and website provide information regarding how you may request to receive proxy materials in printed form by mail or electronically by email on an ongoing basis.

If you received a printed copy of the materials, we have enclosed a copy of our 2008 Annual Report to Stockholders with this notice and proxy statement.

Your vote is important. Please vote your 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 enclosed proxy card.

By Order of the Board of Directors,

LIANE K. HINRICHS
Secretary

Dated: March 27, 2009

PROXY STATEMENT FOR 2009 ANNUAL MEETING OF STOCKHOLDERS

TABLE OF CONTENTS

	Page
<u>General Information</u>	2
<u>Voting Information</u>	2
<u>Record Date and Who May Vote</u>	2
<u>How to Vote</u>	2
<u>How to Change Your Vote</u>	3
<u>Quorum</u>	3
<u>Proposals to Be Voted on; Vote Required; and How Votes Are Counted</u>	3
<u>Confidential Voting</u>	4
<u>Election of Directors (Item 1)</u>	5
<u>Corporate Governance</u>	8
<u>Director Independence</u>	8
<u>Executive Sessions and Communications With the Board</u>	9
<u>Board of Directors and Its Committees</u>	9
<u>Compensation Committee Interlocks and Insider Participation</u>	11
<u>Director Nomination Process</u>	11
<u>Compensation of Directors</u>	12
<u>Director Compensation Table</u>	12
<u>Executive Officers</u>	15
<u>Compensation Discussion and Analysis</u>	17
<u>Compensation Committee Report</u>	34
<u>Compensation of Executive Officers</u>	35
<u>Summary Compensation Table</u>	35
<u>Grants of Plan-Based Awards</u>	38
<u>Outstanding Equity Awards at Fiscal Year End</u>	41
<u>Option Exercises and Stock Vested</u>	44
<u>Pension Benefits</u>	45
<u>Nonqualified Deferred Compensation</u>	47
<u>Potential Payments Upon Termination or Change in Control</u>	49
<u>Security Ownership of Directors and Executive Officers</u>	54
<u>Security Ownership of Certain Beneficial Owners</u>	55
<u>Audit Committee Report</u>	56
<u>Approval of the 2009 McDermott International, Inc. Long-Term Incentive Plan (Item 2)</u>	57
<u>Ratification of Appointment of Independent Registered Public Accounting Firm for Year Ending December 31, 2009 (Item 3)</u>	63
<u>Certain Relationships and Related Transactions</u>	64
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	64

Table of Contents

GENERAL INFORMATION

As more fully described in the Notice, the Board of Directors of McDermott International, Inc. (McDermott) has made these materials available to you over the Internet or, upon your request, has mailed you printed versions of these materials in connection with our 2009 Annual Meeting of Stockholders, which will take place on May 8, 2009. We mailed the Notice to our shareholders beginning March 27, 2009, and our proxy materials were posted on the Web site referenced in the Notice on that same date. McDermott, on behalf of its Board of Directors, is soliciting your proxy to vote your shares at the 2009 Annual Meeting of Stockholders. We solicit proxies to give all shareholders of record an opportunity to vote on matters that will be presented at the annual meeting. In this proxy statement, you will find information on these matters, which is provided to assist you in voting your shares.

Proxy materials have been sent or access to the materials has been provided to you because our Board of Directors is soliciting your proxy to vote your shares at our Annual Meeting to be held on May 8, 2009. We will bear all expenses incurred in connection with this proxy solicitation, which we expect to conduct primarily by mail. We have engaged The Proxy Advisory Group, LLC to assist in the solicitation for a fee that will not exceed \$10,000, plus out-of-pocket expenses. In addition, our officers and regular employees may solicit your proxy by telephone, by facsimile transmission or in person, for which they will not be separately compensated. If your shares are held through a broker or other nominee (*i.e.*, in street name) and you have requested printed versions of these materials, we have requested that your broker or nominee forward this proxy statement to you and obtain your voting instructions, for which we will reimburse them for reasonable out-of-pocket expenses. If your shares are held through the Thrift Plan for Employees of McDermott Incorporated and Participating Subsidiary and Affiliated Companies (the McDermott Thrift Plan) and you have requested printed versions of these materials, the trustee of that plan has sent you this proxy statement and you can instruct the trustee on how to vote your plan shares.

VOTING INFORMATION

Record Date and Who May Vote

Our Board of Directors selected March 9, 2009 as the record date (the Record Date) for determining stockholders entitled to vote at the Annual Meeting. This means that if you were a registered stockholder with our transfer agent and registrar, Computershare Trust Company, N.A., on the Record Date, you may vote your shares on the matters to be considered by our stockholders at the Annual Meeting. If your shares were held in street name on that date, the broker or other nominee that was the record holder of your shares has the authority to vote them at the Annual Meeting. They are seeking your instructions on how you want your shares voted.

On the Record Date, 228,655,752 shares of our common stock were outstanding. Each outstanding share of common stock entitles its holder to one vote on each matter to be acted on at the meeting.

How to Vote

Most shareholders can vote by proxy in three ways:

by Internet at www.proxyvote.com;

by telephone; or

by mail.

If you are a stockholder of record, you can vote your shares in person at the Annual Meeting or vote now by giving us your proxy. You may give us your proxy by following the instructions included in the Notice or, if you received a printed version of these proxy materials, in the enclosed proxy card. If you want to vote by mail but have not received a printed version of these proxy materials, you may request a full packet of proxy materials through the instructions in the Notice. If you vote using either telephone or the Internet, you will save us mail expense.

Table of Contents

By giving us your proxy, you will be directing us how to vote your shares at the meeting. Even if you plan on attending the meeting, we urge you to vote now by giving us your proxy. This will ensure that your vote is represented at the meeting. If you do attend the meeting, you can change your vote at that time, if you then desire to do so.

If your shares are held in street name, the broker or nominee that holds your shares has the authority to vote them, absent your approval, only as to matters for which they have discretionary authority under the applicable New York Stock Exchange rules. For all other matters, the broker or nominee that holds your shares will need to obtain your authorization to vote those shares. If you received a printed version of these proxy materials, you should have received a voting instruction form from your broker or nominee that holds your shares. For shares held in street name, follow the instructions contained in the Notice or voting instruction form to vote by Internet, telephone or mail. If you want to vote by mail but have not received a printed version of these proxy materials, you may request a full packet of proxy materials as instructed by the Notice. If you want to vote your shares in person at the Annual Meeting, you must obtain a valid proxy from your broker or nominee. You should contact your broker or nominee or refer to the instructions provided by your broker or nominee for further information.

Additionally, the availability of telephone or Internet voting depends on the voting process used by the broker or nominee that holds your shares.

You may receive more than one Notice or proxy statement and proxy card or voting instruction form if your shares are held through more than one account (*e.g.*, through different brokers or nominees). Each proxy card or voting instruction form only covers those shares of common stock held in the applicable account. If you hold shares in more than one account, you will have to provide voting instructions as to all your accounts to vote all your shares.

How to Change Your Vote

For shares held of record, you may change your vote by written notice to our Corporate Secretary, granting a new proxy or by voting in person at the Annual Meeting. Unless you attend the meeting and vote your shares in person, you should change your vote using the same method (by telephone, Internet or mail) that you first used to vote your shares. That way, the inspectors of election for the meeting will be able to verify your latest vote.

For shares held in street name, you should follow the instructions in the information provided by your broker or nominee to change your vote. If you want to change your vote as to shares held in street name by voting in person at the Annual Meeting, you must obtain a valid proxy from the broker or nominee that holds those shares for you.

Quorum

The Annual Meeting will be held only if a quorum exists. The presence at the meeting, in person or by proxy, of holders of a majority of our outstanding shares of common stock as of the Record Date will constitute a quorum. If you attend the meeting or vote your shares by Internet, telephone or mail, your shares will be counted toward a quorum, even if you abstain from voting on a particular matter. Shares held by brokers and other nominees as to which they have not received voting instructions from the beneficial owners and lack the discretionary authority to vote on a particular matter are called *broker non-votes* and will count for quorum purposes.

Proposals to Be Voted on; Vote Required; and How Votes Are Counted

We are asking you to vote on the following:

the election of Roger A. Brown, John A. Fees and Oliver D. Kingsley, Jr. to Class I of our Board of Directors and the election of D. Bradley McWilliams, Richard W. Mies and Thomas C. Schievelbein to Class II of our

Board of Directors;

the approval of the 2009 McDermott International, Inc. Long-Term Incentive Plan (the 2009 LTI Plan); and

the ratification of our Audit Committee s appointment of Deloitte & Touche LLP (Deloitte) as our independent registered public accounting firm for the year ending December 31, 2009.

Table of Contents

With the exception of the proposal to approve the 2009 LTI Plan, each proposal, including the election of directors, requires the affirmative vote of a majority of the shares of our common stock present in person or represented by proxy at the Annual Meeting and entitled to vote on the matter. The proposal to approve the 2009 LTI Plan requires the affirmative vote of a majority of the shares of common stock present in person or represented by proxy at the Annual Meeting and entitled to vote on the proposal, provided that the total number of votes cast on the proposal represents a majority of the shares outstanding on the Record Date. In the election of directors, you may vote FOR all director nominees or withhold your vote for any one or more of the director nominees. For each other proposal, you may vote FOR or AGAINST or abstain from voting. Because abstentions are counted for purposes of determining whether a quorum is present but are not affirmative votes for a proposal, they have the same effect as an AGAINST vote. Broker non-votes will have no effect on the vote on the election of directors or on the ratification of the independent registered public accounting firm. Broker non-votes will have no effect on the proposal to approve the 2009 LTI Plan, as long as the total number of votes cast on the proposal represents a majority of the shares entitled to vote. Otherwise, the effect of a broker non-vote will be the same as a vote against the proposal.

Our Corporate Governance Guidelines provide that, in an uncontested election of directors, the Board expects any incumbent director nominee who does not receive a FOR vote by a majority of shares present in person or by proxy and entitled to vote on the matter to promptly tender his or her resignation to the Governance Committee, subject to acceptance by our Board. Pursuant to our Corporate Governance Guidelines, the Governance Committee will make a recommendation to the Board with respect to the director nominee's resignation and the Board will consider the recommendation and take appropriate action within 120 days from the date of the certification of the election results.

If you submit a signed proxy card without specifying your vote, your shares will be voted FOR the election of all director nominees, the proposal to approve the 2009 LTI Plan and the ratification of our Audit Committee's appointment of Deloitte as our independent registered public accounting firm for the year ending December 31, 2009. If you hold your shares in street name and you do not instruct your broker or nominee how to vote those shares, they may vote your shares as they decide as to matters for which they have discretionary authority under the applicable New York Stock Exchange rules. Your broker will be entitled to vote your shares in its discretion, absent instructions from you, on the election of directors and the ratification of the appointment of the independent registered public accounting firm.

We are not aware of any other matters that may be presented or acted on at the meeting. If you vote by signing and returning the enclosed proxy card or using the telephone or Internet voting procedures, the individuals named as proxies on the card may vote your shares, in their discretion, on any other matter requiring a stockholder vote that comes before the meeting.

Confidential Voting

All voted proxies and ballots will be handled to protect your voting privacy as a stockholder. Your vote will not be disclosed except:

- to meet any legal requirements;
- in limited circumstances such as a proxy contest in opposition to our Board of Directors;
- to permit independent inspectors of election to tabulate and certify your vote; or
- to adequately respond to your written comments on your proxy card.

Table of Contents

ELECTION OF DIRECTORS

(ITEM 1)

Historically, our Board of Directors has been classified into three classes, with the term of office of one class expiring each year. In 2007, with the approval of our stockholders, we amended our Articles of Incorporation to phase out the classification of our Board by 2010. As a result, until our 2010 Annual Meeting, directors elected to a class by our stockholders will serve one-year terms. Beginning with the Annual Meeting in 2010, our Board will no longer be classified and all directors will be subject to annual election. Currently, our Board has ten members. John A. Fees, who became a director in October 2008, was assigned to Class I, and Richard W. Mies, who became a director in August 2008, was assigned to Class II.

The term of office of our Class I directors Roger A. Brown, John A. Fees, Robert L. Howard and Oliver D. Kingsley, Jr. will expire at this year's Annual Meeting. On the nomination of our Board, Messrs. Brown and Kingsley will stand for reelection and Mr. Fees will stand for election as Class I directors at this year's Annual Meeting for a term of one year.

The term of office of our Class II directors D. Bradley McWilliams, Richard W. Mies and Thomas C. Schievelbein will expire at this year's Annual Meeting. On the nomination of our Board, Messrs. McWilliams and Schievelbein will stand for reelection and Admiral Mies will stand for election as Class II directors at this year's Annual Meeting for a term of one year.

Our By-Laws provide that (1) a person shall not be nominated for election or reelection to our Board of Directors if such person shall have attained the age of 72 prior to the date of election or re-election 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. Pursuant to these By-Law requirements, Robert L. Howard will retire from our Board after 12 years of service, effective at this year's Annual Meeting.

Unless otherwise directed, the persons named as proxies on the enclosed proxy card intend to vote FOR the election 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. Set forth below under Class III Directors are the names of our other directors who will continue to serve as directors after this year's Annual Meeting. All directors have been previously elected by the stockholders.

Table of Contents

Set forth below is certain information (ages are as of May 8, 2009) with respect to each nominee for election as a director and each director of our company who will continue to serve as a director after this year's Annual Meeting.

Name and Principal Occupation	Age	Director Since
Class I Nominees		
Roger A. Brown Until his retirement in 2007, Mr. Brown was Vice President, Strategic Initiatives of Smith International, Inc., a supplier of goods and services to the oil and gas exploration and production industry, the petrochemical industry and other industrial markets from 2005 and President of Smith Technologies (a business unit of Smith International, Inc.) from 1998. Mr. Brown is also a director of Ultra Petroleum Corporation.	64	2005
John A. Fees Mr. Fees has been Chief Executive Officer of McDermott since October 2008. He joined our company in 1979 and, served as President and Chief Executive Officer of our subsidiary, The Babcock & Wilcox Company, from January 2007 to October 2008; President and Chief Operating Officer of our subsidiary, BWX Technologies, Inc., from September 2002 to January 2007; and President, General Manager of BWXT Services, Inc., a subsidiary of BWX Technologies, from September 1997 to November 2002. His earlier positions at subsidiaries of The Babcock & Wilcox Company include Vice President and General Manager.	51	2008
Oliver D. Kingsley, Jr. Until his retirement in November 2004, Mr. Kingsley served as President and Chief Operating Officer of Exelon Corporation, an integrated utility company, from May 2003, Senior Executive Vice President from February 2002 and President and Chief Nuclear Officer from October 2000. Mr. Kingsley also served as President and Chief Executive Officer of Exelon's subsidiary, Exelon Generation, from February 2000 to November 2004 and as President and Chief Nuclear Officer of Unicom Corporation, an integrated electric utility company, from November 1997 to October 2000. Mr. Kingsley is also a director of FPL Group, Inc. and is the Associate Dean for Special Projects at the Sam Ginn College of Engineering, Auburn University.	66	2004

Our Board recommends that stockholders vote FOR each of the nominees named above.

Name and Principal Occupation	Age	Director Since
Class II Nominees		
D. Bradley McWilliams From April 1995 until his retirement in April 2003, Mr. McWilliams was Senior Vice President and Chief Financial Officer of Cooper Industries Ltd., a worldwide manufacturer of electrical products, tools and hardware. He was Vice President of Cooper Industries from 1982 until April 1995.	67	2003
Richard W. Mies Admiral Mies is a Retired Admiral, United States Navy. He served in the U.S. Navy for 35 years, including most recently as Commander in Chief of the U.S. Strategic Command for all U.S. Air Force and U.S. Navy strategic nuclear forces from 1998 until his retirement from the Navy in 2002. Following his retirement from the Navy until 2007, he served as Senior Vice	64	2008

President of Science Applications International Corporation, a provider of scientific and engineering applications for national security, energy, environment, critical infrastructure and health. He is currently Chief Executive Officer and President of The Mies Group, Ltd. (a consulting firm) and serves as a director of Exelon Corporation.

Thomas C. Schievelbein

55

2004

Until his retirement in November 2004, Mr. Schievelbein was President of Northrop Grumman Newport News, a subsidiary of the Northrop Grumman Corporation, a global defense company, from November 2001. From October 1995 to October 2001, he served as Executive Vice President and Chief Operating Officer of Newport News Shipbuilding, Inc. Mr. Schievelbein is also a director of The Brinks Company.

Our Board recommends that stockholders vote **FOR** each of the nominees named above.

Table of Contents

Name and Principal Occupation	Age	Director Since
Class III Directors		
<p>John F. Bookout III Mr. Bookout has served as Senior Advisor to Kohlberg Kravis Roberts & Co., a private equity firm, since March 2008. Previously, he served as Senior Advisor to First Reserve Corporation, a private equity firm specializing in the energy industry, from 2006 to 2008. Until 2006, he was a director of McKinsey & Company, a global management consulting firm, which he joined in 1978. Mr. Bookout is also a director of Tesoro Corporation.</p>	55	2006
<p>Ronald C. Cambre Mr. Cambre has served as our Chairman since October 1, 2008. Until December 2001, Mr. Cambre was Chairman of the Board of Newmont Mining Corporation, an international mining company, from January 1995 and served as its Chief Executive Officer from November 1993 until his retirement in December 2000. He was also President of Newmont Mining Corporation from June 1994 to July 1999. Mr. Cambre is also a director of Cliffs Natural Resources (formerly, Cleveland-Cliffs Inc.) and W. R. Grace & Co.</p>	70	2000
<p>Robert W. Goldman Since October 2002, Mr. Goldman has served as an independent financial consultant. Previously, Mr. Goldman worked for Conoco Inc., an international, integrated energy company and predecessor to ConocoPhillips, from 1988 to 2002, most recently as Senior Vice President, Finance and Chief Financial Officer from 1998 to 2002. He formerly served as the Vice President, Finance of the World Petroleum Council from 2002 to 2008. He currently serves as a director of El Paso Corporation, Parker Drilling Company and Tesoro Corporation. He is also a member of the Advisory Board of Global Infrastructure Partners.</p>	67	2005

Table of Contents

CORPORATE GOVERNANCE

We maintain a corporate governance section on our Web site which contains copies of our principal governance documents. The corporate governance section may be found at www.mcdermott.com at Corporate Governance Board Committees and Corporate Governance Governance Policies. The corporate governance section contains the following documents, which are available in print to any stockholder who requests a copy in writing to McDermott International, Inc., Corporate Secretary's Office, 777 N. Eldridge Pkwy., Houston, Texas 77079:

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
Finance Committee Charter
Governance Committee Charter

In addition, our Code of Business Conduct may be found on our website at www.mcdermott.com at Corporate Governance Code of Conduct and is available in print to any stockholder who requests a copy in writing.

Director Independence

The New York Stock Exchange listing standards require our Board of Directors to be comprised of at least a majority of independent directors. For a director to be considered independent, the Board must determine that the director does not have any direct or indirect material relationship with us. To assist it in determining director independence, the Board has established categorical standards which conform to, or are more exacting than, the independence requirements in the New York Stock Exchange listing standards. These standards are contained in the Corporate Governance Guidelines found on our website at www.mcdermott.com under Corporate Governance Governance Policies.

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

John F. Bookout III
Roger A. Brown
Ronald C. Cambre
Robert W. Goldman
Robert L. Howard

Oliver D. Kingsley, Jr.
D. Bradley McWilliams
Richard W. Mies
Thomas C. Schievelbein

In determining the independence of the directors, our Board considered ordinary course transactions between us and other entities with which the directors are associated. Neither Mr. McWilliams nor Mr. Schievelbein has any relationship with McDermott, except as a director and stockholder. Messrs. Brown, Cambre, Goldman and Kingsley are members of the board of directors of one of those entities and Mr. Bookout is an outside consultant for an affiliate of one of those entities. Our Board also considered unsolicited contributions by us to charitable organizations with which the directors were associated. Admiral Mies and Mr. Howard each serve as a director of a separate charitable organization to which we made unsolicited contributions between 2006 and 2008. Mr. Bookout's spouse serves as a

director of a charitable organization to which we made an unsolicited contribution in 2007. The charitable contributions described above were in the usual course of our annual giving programs pursuant to which we made over \$1.7 million in total 2008 contributions to more than 200 charitable organizations.

Table of Contents**Executive Sessions and Communications With the Board**

Our nonmanagement directors meet in executive session without management on a regular basis. Currently, Ronald C. Cambre, our non-executive Chairman of the Board, serves as the presiding director for these executive sessions. Stockholders or other interested persons may send written communications to the nonmanagement members of our Board, addressed to Board of Directors (independent members), c/o McDermott International, Inc., Corporate Secretary's Office, 777 N. Eldridge Pkwy., Houston, Texas 77079. Information regarding this process is posted on our website at www.mcdermott.com under Corporate Governance Board Committees.

Board of Directors and Its Committees

Board of Directors. Our Board met nine times during 2008. All directors attended 75% or more of the meetings of the Board and of the committees on which they served during 2008. In addition, as reflected in our Corporate Governance Guidelines, we have adopted a policy that each member of our Board must make reasonable efforts to attend our Annual Meeting. All directors then serving on the Board attended our 2008 Annual Meeting.

Committees. Our Board currently has, and appoints the members of, standing Audit, Compensation, Finance and Governance Committees. Each of the Board committees is comprised entirely of independent nonmanagement directors and has a written charter approved by the Board. The current charter for each committee is posted on our website at www.mcdermott.com under Corporate Governance Board Committees. The current members of the committees are identified in the following table.

Director	Board Committee			Governance
	Audit	Compensation	Finance	
John F. Bookout III	ü		ü	
Roger A. Brown		ü		ü
Ronald C. Cambre				
Robert W. Goldman	ü		Chair	
Robert L. Howard				Chair
Oliver D. Kingsley, Jr.		ü		ü
D. Bradley McWilliams	Chair		ü	

Richard W. Mies

ü

ü

Thomas C. Schievelbein

Chair

ü

Audit Committee. During the year ended December 31, 2008, the Audit Committee met five times. The Audit Committee's role is financial oversight. Our management is responsible for preparing financial statements, and our independent registered public accounting firm is responsible for auditing those financial statements. The Audit Committee is not providing any expert or special assurance as to our financial statements or any professional certification as to the independent registered public accounting firm's work.

The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of McDermott's independent registered public accounting firm. The committee, among other things, also reviews and discusses McDermott's audited financial statements with management and the independent registered public accounting firm.

Our Board has determined that Messrs. Bookout, Goldman and McWilliams and Admiral Mies each qualify as an audit committee financial expert within the definition established by the Securities and Exchange Commission (SEC). For more information on the backgrounds of these directors, see their biographical information under Election of Directors above.

Compensation Committee. During the year ended December 31, 2008, the Compensation Committee met five times. The Compensation Committee has overall responsibility for our officer compensation plans, policies and programs and has the authority to engage and terminate any compensation consultant or other advisors to assist the

Table of Contents

committee in the discharge of its responsibilities. The Compensation Committee has engaged Hewitt Associates LLC, or Hewitt, to assist the committee on compensation matters. Hewitt advises the Compensation Committee on all principal elements of our compensation programs, including market data and practices, and attends meetings of the committee and participates in executive sessions without members of management. Hewitt provides advice and analysis on the design, structure and level of executive compensation. The Compensation Committee considers recommendations from our Chief Executive Officer regarding the compensation of our executive officers. Please see the Compensation Discussion and Analysis section of this proxy statement for information about our 2008 executive officer compensation.

The Compensation Committee administers our Executive Incentive Compensation Plan, or EICP, under which it awards annual bonuses to our officers based upon the attainment of annual performance goals. The Compensation Committee establishes target EICP awards for each officer, expressed as a percentage of the officer's base salary for that year, and financial goals applicable to EICP awards. The Compensation Committee authorized our Chief Executive Officer to establish individual goals for our other executive officers applicable to EICP awards and, in coordination with his direct reports, to select such other officers and key employees to participate in the EICP and establish appropriate individual performance goals for them. Under our 2001 Directors and Officers Long-Term Incentive Plan, which we refer to as the 2001 D&O Plan, our Compensation Committee may delegate its duties to our Chief Executive Officer or other senior officers. Pursuant to this authority, our Compensation Committee has authorized our Vice President of Human Resources, together with our Chief Executive Officer, to approve awards of options to purchase up to 5,000 shares of stock and 1,000 shares of restricted stock or performance units under the 2001 D&O Plan to officers or employees (other than officers subject to the reporting provisions of Section 16 of the Securities Exchange Act of 1934, as amended) in connection with their initial employment or promotion within McDermott; provided that time does not permit the review and approval by the Compensation Committee at its next regularly scheduled meeting and that any grants awarded pursuant to this authorization are subject to ratification by the Compensation Committee at its next regularly scheduled meeting. In addition, our restricted stock awards granted under the 2001 D&O Plan in 2008 provide for accelerated vesting at the Compensation Committee's discretion if the participant retires and is at least 60 years of age with at least 10 years of service. To facilitate a timely determination in these instances, the Compensation Committee has authorized our General Counsel and Vice President of Human Resources, acting jointly, to consider and determine any request for such accelerated vesting.

Finance Committee. During the year ended December 31, 2008, the Finance Committee met seven times. The Finance Committee has the overall responsibility of reviewing and overseeing financial policies (including dividend recommendations and stock repurchase programs) and financial strategies, mergers, acquisitions, financings, liabilities, investment performance of our pension plans and the capital structures of McDermott and its subsidiaries. Generally, the Finance Committee has responsibility over many activities up to \$50 million, and for such activities involving amounts over \$50 million, the Finance Committee