

McDERMOTT INTERNATIONAL, INC.**Compensation Committee Charter*****Purpose***

The Compensation Committee (the “Committee”), in its capacity as a committee of the Board of Directors (the “Board”) of McDermott International, Inc. (including its subsidiaries, the “Company”), has overall responsibility for evaluating officer and director compensation plans, policies and programs and the employee benefit programs of the Company and approving and/or recommending such for approval by the Board. Without limiting the generality of the foregoing, the Committee shall have oversight responsibility for:

- the Company’s compensation objectives and strategy;
- the Company’s compensation and employee benefit policies, plans and programs;
- compensation levels for the Company’s Chief Executive Officer (the “CEO”) and other executive officers of the Company; and
- administration of the Company’s equity incentive plans, non-equity incentive plans and other director and officer compensation arrangements, except those responsibilities designated in the charter of the Governance Committee of the Board (with respect to non-management directors) or otherwise designated to the Governance Committee by the Board.

The Committee is also responsible for overseeing the Company’s public disclosures relating to the Company’s compensation plans, policies and programs.

The Committee shall have and may exercise all the powers of the Board, except as may be prohibited by law, with respect to all matters encompassed by this Charter.

Committee Membership

The Committee shall consist of no fewer than three members, each of whom shall (i) be independent in accordance with the provisions of Rule 10C-1(b)(1) under the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”), and (ii) meet the applicable independence requirements of the New York Stock Exchange (the “NYSE”). With respect to “independence” determinations to be made for purposes of Committee membership, the Board shall consider all the factors referred to in NYSE Rule 303A.02(a)(ii). In addition, each member of the Committee shall be a “nonemployee director,” within the meaning of Rule 16b-3 promulgated by the U.S. Securities and Exchange Commission (the “SEC”) under the Exchange Act. Except in any Committee member’s capacity as a member of the Committee, the Board, or any other Board committee, no member of the Committee shall accept, directly or indirectly, any consulting, advisory or other compensatory fee from the Company or any subsidiary of the Company.

The members of the Committee shall be appointed by the Board, on the recommendation of the Governance Committee of the Board, and shall serve until their successors are duly appointed and qualified, or until their earlier death, resignation or removal. Committee members shall be selected on the basis of their overall business knowledge, experience and understanding of compensation matters and ability to add substance to key deliberations. The Committee Chair shall be designated by the Board. If the Board should fail to designate a Committee Chair, the members of the Committee may designate the Committee Chair by majority vote of the Committee members. The Board shall have the authority at any time to remove one or more members of the Committee, for any reason.

Subcommittees of the Committee may be formed when necessary to address specific issues identified by the Committee. Except where the context otherwise requires, and subject to the requirements of applicable

law, any reference to the “Committee” in the description of any authority granted under this Charter shall be deemed to refer to the Committee and any such subcommittees, collectively.

Meetings and Agenda Items

The Committee should meet at least three times a year. Meetings may be called by or at the direction of the Committee Chair, any two members of the Committee or the Chairman of the Board (or the Lead Director, if a Lead Director has been appointed in accordance with the Company’s Corporate Governance Guidelines). The Committee may meet by teleconference and act by unanimous written consent or electronic transmission as permitted by applicable law. A majority of the members of the Committee shall constitute a quorum for any meeting of the Committee. All matters to be decided at a meeting duly called and held shall be decided by the affirmative vote of a majority of the Committee membership present in person or via teleconference at the meeting. The Committee Chair shall preside at the meetings of the Committee. In the absence of the Committee Chair, the majority of the members of the Committee present at a meeting shall appoint a member to preside at the meeting. The activities of the Committee shall be developed from year to year by the Committee Chair in consultation with management and input from other Committee members. Each meeting of the Committee shall have an “Executive Session” as an agenda item. Committee members and other directors may suggest the addition of any matter to the agenda for any meeting of the Committee. Any Committee member may raise at any meeting of the Committee any subjects that are not on the agenda for that meeting. The Committee may adopt such other rules and regulations for calling and holding its meetings and for the transaction of business at such meetings as may be necessary or desirable and not inconsistent with the By-Laws of the Company or this Charter. The Committee shall maintain written minutes of its meetings, which minutes shall be filed with the Company’s records.

The Committee shall be given the resources and assistance necessary to discharge its responsibilities, including unrestricted access to Company personnel and documents. The Company’s Corporate Secretary shall be responsible for the timely delivery of the meeting materials, including meeting agendas and backup materials, and the preparation for the meetings of the Committee.

Any member of the Board who is not a member of the Committee may attend any Committee meeting with the concurrence of the Committee Chair or a majority of the members of the Committee.

Committee Authority and Responsibilities

1. The Committee shall guide the establishment of overall corporate compensation objectives and monitor compensation structures of the Company to determine that they create appropriate compensation opportunities for executive officers of the Company that are consistent with those objectives. Incentives, which may be tailored for different categories of officers, should further the Company’s long-term strategic plan and the overall goal of enhancing enduring stockholder value, and shall be designed with consideration of tax, accounting, legal and regulatory requirements.
2. The Committee shall periodically review, approve (where permitted by the terms of the applicable plan) and, if the Committee determines Board action is necessary or appropriate, make recommendations to the Board with respect to adoption of and amendments to, and oversee, Company incentive-compensation plans and equity-based plans, including designation of the persons to whom the awards are to be granted, the amounts of the awards and the terms and conditions applicable to each award.
3. The Committee shall review, approve and oversee all other employee benefit and related plans or programs adopted by the Company. The Compensation Committee’s oversight shall include the Company’s qualified and nonqualified defined benefit plans. With respect to this paragraph, the Committee’s role is one of oversight, and except as the Committee otherwise expressly determines or as required by applicable law, the Committee shall not act as a fiduciary with respect to any benefit plans or programs under the Employee Retirement Income Security Act of 1974 or otherwise.



4. The Committee shall annually review and approve corporate goals and objectives relevant to CEO compensation, evaluate (in coordination with the Governance Committee) the CEO's performance in light of those goals and objectives, and set the CEO's compensation levels based on that evaluation.

The Committee shall, for the CEO and the Company's other executive officers, annually review, approve and, if the Committee determines Board action is necessary or appropriate, make recommendations to the Board with respect to (a) the annual base salary level, (b) any annual incentive opportunity awards, and (c) any long-term incentive opportunity awards. The Committee shall also, for the CEO and the Company's other executive officers, review and approve, and if the Committee determines Board action is necessary or appropriate, make recommendations to the Board with respect to (a) employment agreements, severance arrangements, and change-in-control agreements/provisions, and any potential amendments thereto, and (b) any special or supplemental compensation or benefits, in each case as, when and if the Committee deems appropriate.

In determining the long-term incentive component of compensation of such officers, the Committee may consider such factors as the Committee deems appropriate, including, among other factors, the Company's performance and relative stockholder return, the value of similar incentive awards at comparable or other relevant companies, the awards made by the Company in past years and the Company's desire to retain such officers.

5. The Committee shall review and approve compensation for newly elected executive officers of the Company, as well as review and approve any supplemental compensation or benefit arrangement for the Company's newly elected executive officers.
6. In reviewing and making determinations with respect to approvals and recommendations to the Board regarding compensation of the officers of the Company and equity incentive plans in accordance with the foregoing provisions of this Charter, the Committee shall consider the results of the most recent stockholder advisory vote on executive compensation required by Section 14A of the Exchange Act.
7. The Committee shall have the sole authority to retain, oversee the work of and terminate any compensation consultant, independent or outside counsel or other advisers (collectively, "Compensation Advisers"), in each case of its choice and as it determines to be necessary or appropriate to assist the Committee in the discharge of its duties and responsibilities under this Charter. The Committee shall have sole authority to approve any such Compensation Adviser's fees and other retention terms. The Committee may select such consultant, counsel or other adviser only after taking into consideration all factors relevant to that person's independence from management, including the factors required by the NYSE. The Committee may retain, or receive advice from, any Compensation Advisers preferred by the Committee, including any that are not independent, after considering such required factors to the extent required by the NYSE. The Committee shall evaluate at least annually whether any compensation consultant retained or to be retained by it has any conflict of interest in accordance with Item 407(e)(3)(iv) of Regulation S-K promulgated by the SEC. The Committee shall receive appropriate funding from the Company, as determined by the Committee in its capacity as a committee of the Board, for the payment of compensation to its Compensation Advisers. Notwithstanding the foregoing, the Committee shall not be required to implement or act consistently with the advice or recommendations of its Compensation Advisers, and the authority granted in this Charter shall not affect the ability or obligation of the Committee to exercise its own judgment in the fulfillment of its duties and responsibilities under this Charter.
8. The Committee shall, annually, oversee the preparation of the Company's Compensation Discussion and Analysis and prepare (or cause to be prepared) a report for inclusion in the Company's proxy statement for its annual meeting of stockholders, under the names of all Committee members, stating whether the Committee:
 - a. reviewed and discussed the Compensation Discussion and Analysis with management; and

- b. based upon that review and discussion, recommended to the full Board that the Compensation Discussion and Analysis be included in the Company's annual report on Form 10-K or proxy statement, as applicable.
9. The Committee shall oversee the Company's compliance with SEC rules and regulations regarding stockholder approval of certain executive compensation matters, including advisory votes on executive compensation and the frequency of such votes, and the requirement under NYSE rules that, with limited exceptions, stockholders approve equity compensation plans.
10. The Committee shall approve and oversee the administration of the Company's incentive recoupment ("clawback") policy.
11. The Committee, in conjunction with the Governance Committee, shall review any stockholder proposals relating to executive compensation matters and recommend to the Board the Company's responses to such proposals.
12. The Committee shall be responsible for the oversight of risks related to the Committee's oversight areas, as set forth in this Charter, and shall periodically report to the Board on such risks. Without limiting the generality of the foregoing, the Committee shall review the Company's incentive compensation arrangements to determine whether they encourage excessive risk-taking, and review and discuss at least annually the relationship between risk management policies and practices and compensation, evaluate compensation policies and practices that could mitigate any such risk, and determine whether any risks arising from such compensation policies and practices are reasonably likely to have a material adverse effect on the Company.
13. The Committee shall monitor compensation and regulatory developments and trends and solicit independent advice where appropriate.
14. In connection with the foregoing, the Committee shall maintain regular contact with the Company's management. The Committee may invite such members of the Company's management to the Committee's meetings as it deems appropriate. However, the Committee shall meet regularly without such members of management present.
15. The Committee may form and delegate authority to subcommittees when the Committee determines it appropriate to do so.
16. The Committee shall make regular reports to the Board.
17. The Committee shall annually evaluate its own performance and report such assessment to the Board and/or the Governance Committee.
18. The Committee shall review and reassess the adequacy of this Charter periodically and recommend any proposed changes to the Board for approval.
19. The Committee shall take such other actions and carry out such other duties and responsibilities as may be assigned to the Committee from time to time by the Board.