

MCDERMOTT INTERNATIONAL INC  
Form DEF 14A  
March 30, 2012  
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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 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.



(3) Filing Party:

(4) Date Filed:

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## McDermott International, Inc.

Stephen M. Johnson  
Chairman of the Board of Directors, President and Chief Executive Officer

757 N. Eldridge Pkwy.  
Houston, Texas 77079  
March 30, 2012

Dear Stockholder:

You are cordially invited to attend this year's Annual Meeting of Stockholders of McDermott International, Inc., which will be held on Thursday, May 10, 2012, at 757 N. Eldridge Parkway, Houston, Texas 77079, on the 14<sup>th</sup> floor, commencing at 10:00 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 utilizing 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 stockholder. In accordance with these rules, we have sent a Notice of Internet Availability of Proxy Materials to all stockholders who have not previously elected to receive a printed set of proxy materials. The Notice contains instructions on how to access our 2012 Proxy Statement and Annual Report to Stockholders, as well as how to vote either online, by telephone or in person at the 2012 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,

STEPHEN M. JOHNSON

**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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**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be Held on May 10, 2012.**

The proxy statement and annual report are available on the Internet at [www.proxyvote.com](http://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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**MCDERMOTT INTERNATIONAL, INC.**

757 N. Eldridge Pkwy.

Houston, Texas 77079

**NOTICE OF 2012 ANNUAL MEETING OF STOCKHOLDERS**

<b>Time and Date</b>	10:00 a.m. local time on Thursday, May 10, 2012
<b>Place</b>	757 N. Eldridge Parkway 14 <sup>th</sup> Floor Houston, Texas 77079
<b>Items of Business</b>	<ol style="list-style-type: none"><li>1. To elect eight members to our Board of Directors, each for a term of one year.</li><li>2. To conduct an advisory vote to approve named executive officer compensation.</li><li>3. To ratify our Audit Committee's appointment of Deloitte &amp; Touche LLP as our independent registered public accounting firm for the year ending December 31, 2012.</li><li>4. To transact such other business that properly comes before the meeting or any adjournment thereof.</li></ol>
<b>Record Date</b>	You are entitled to vote if you were a stockholder of record at the close of business on March 12, 2012.
<b>Notice and Access</b>	Instead of mailing a printed copy of our proxy materials, including our Annual Report, to each stockholder of record, we are providing access to these materials via the Internet. This reduces the amount of paper necessary to produce these materials, as well as the costs associated with mailing these materials to all stockholders.

Accordingly, on March 30, 2012, we began mailing a Notice of Internet Availability of Proxy Materials (the Notice ) to all stockholders of record as of March 12, 2012, and posted our proxy materials on the Web site referenced in the Notice ([www.proxyvote.com](http://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.

**Proxy Voting**

**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 proxy card enclosed with the printed materials.**

By Order of the Board of Directors,

LIANE K. HINRICHS

Secretary

**March 30, 2012**

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**PROXY STATEMENT FOR 2012 ANNUAL MEETING OF STOCKHOLDERS**

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### **QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING OF STOCKHOLDERS AND VOTING**

#### **What is the purpose of these proxy materials?**

As more fully described in the Notice, the Board of Directors of McDermott International, Inc. ( McDermott ) has made these materials available to you in connection with our 2012 Annual Meeting of Stockholders, which will take place on May 10, 2012 at 10:00 a.m. local time (the Annual Meeting or Meeting ). We mailed the Notice to our stockholders beginning March 30, 2012, 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 2012 Annual Meeting of Stockholders. We solicit proxies to give all stockholders 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.

#### **Who will pay for the cost of this proxy solicitation?**

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 \$12,500, 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 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.

#### **Who is entitled to vote at the Annual Meeting?**

Our Board of Directors selected March 12, 2012 as the record date (the Record Date ) for determining stockholders entitled to vote at the Annual Meeting. This means that if you owned McDermott common

stock on the Record Date, you may vote your shares on the matters to be considered by our stockholders at the Annual Meeting.

There were 235,564,418 shares of our common stock outstanding on the Record Date. Each outstanding share of common stock entitles its holder to one vote on each matter to be acted on at the meeting.

#### **What is the difference between holding shares as a stockholder of record and as a beneficial owner through a brokerage account or other arrangement with a holder of record?**

If your shares are registered in your name with McDermott's transfer agent and registrar, Computershare Trust Company, N.A., you are the stockholder of record of those shares. The Notice and the proxy materials have been provided or made available directly to you by McDermott.

If your shares are held in a stock brokerage account or by a bank or other holder of record, you are considered the beneficial owner but not the holder of record of those shares, and the Notice and the proxy materials have been forwarded to you by your broker, bank or other holder of record. As the beneficial owner, you have the right to direct your broker, bank or other holder of record how to vote your shares by using the voting instruction card or by following their instructions for voting by telephone or on the Internet.

#### **How do I cast my vote?**

Most stockholders can vote by proxy in three ways:

by Internet at [www.proxyvote.com](http://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 mailing expense.

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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 you are the beneficial owner but not the holder of record, of shares, you should refer to the instructions provided by your broker or nominee for further information. 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. Neither the election of directors nor the advisory vote to approve named executive officer compensation are considered routine matters. That means that brokers may not vote your shares with respect to those matters if you have not given your broker specific instructions as to how to vote. Please be sure to give specific voting instructions to your broker.*

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 of which you are the beneficial owner but not the holder of record, 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.

### **Why did I receive more than one Notice or proxy statement and proxy card or voting instruction form?**

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.

### **What can I do if I change my mind after I vote?**

*If you are a stockholder of record, you may change your vote by written notice to our Corporate Secretary, by granting a new proxy before the Annual Meeting 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 before the meeting 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.*

*If you are the beneficial owner, but not the holder of record, of shares, you should follow the instructions in the information provided by your broker or nominee to change your vote before the meeting. If you want to change your vote as to shares of which you are the beneficial owner 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.*

### **What is a broker non-vote?**

If you are a beneficial owner whose shares are held of record by a broker or other holder of record, you must instruct the broker or other holder of record how to vote your shares. If you do not provide voting instructions, your shares will not be voted on any proposal on which the broker does not have discretionary authority to vote. This is called a broker non-vote. In these cases, the broker or other holder of record can include your shares as being present at the Annual Meeting for purposes of determining the presence of a quorum but will not be able to vote on those matters for which specific authorization is required under the rules of the New York Stock Exchange ( NYSE ).

With respect to this Annual Meeting, if you are a beneficial owner whose shares are held by a broker or other holder of record, your broker or other holder of record has discretionary voting authority under NYSE rules to vote your shares on the ratification of Deloitte & Touche LLP ( Deloitte ), even if it has not received voting instructions from you. However, such holder does not have discretionary authority to vote on the election of directors or the advisory vote to approve named executive officer compensation without instructions from you, in which case a broker non-vote will occur and your shares will not be voted on those matters.



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### **What is the quorum for the Annual Meeting?**

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. Broker non-votes will be treated as present for the purpose of determining a quorum.

### **Which items will be voted on at the Annual Meeting?**

At the Annual Meeting, we are asking you to vote on the following:

the election of John F. Bookout, III, Roger A. Brown, Stephen G. Hanks, Stephen M. Johnson, D. Bradley McWilliams, Thomas C. Schievelbein, Mary L. Shafer-Malicki and David A. Trice to our Board of Directors, each for a term of one year;

the advisory vote to approve named executive officer compensation; and

the ratification of our Audit Committee's appointment of Deloitte as our independent registered public accounting firm for the year ending December 31, 2012.

We are not aware of any other matters that may be presented or acted on at the Annual 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.

### **What are the Board's voting recommendations?**

For the reasons set forth in more detail later in this proxy statement, our Board recommends a vote:

FOR the election of each director nominee;

FOR the advisory vote to approve named executive officer compensation; and

FOR the ratification of our Audit Committee's appointment of Deloitte as our independent registered public accounting firm for the year ending December 31, 2012.

### **What are the voting requirements to elect the Directors and to approve each of the proposals discussed in this proxy statement?**

Our By-Laws provide that, in all matters arising at a stockholders' meeting, a majority of the voting power of our outstanding shares present in person or represented by proxy at the meeting and entitled to vote and actually voting on the matter shall be necessary and sufficient for approval, except where some larger percentage is required by applicable law or our Articles of Incorporation. No such larger percentage is applicable to any of the items we are asking you to vote on at the Annual Meeting. Because abstentions are not actual votes with respect to a proposal, they will have no effect on the outcome of the vote on a 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 and actually voting on the matter to promptly tender his or her resignation to the Governance Committee, subject to acceptance by our Board. The Governance Committee will then 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.

**What happens if I do not specify a choice for a proposal when returning a proxy or do not cast my vote?**

You should specify your choice for each proposal on your proxy card or voting instruction form. Shares represented by proxies will be voted in accordance with the instructions given by the stockholders.

*If you are a stockholder of record* and your proxy card is signed and returned without voting instructions, it will be voted according to the recommendations of our Board. If you do not return your proxy card or cast your vote, no votes will be cast on your behalf on any of the items of business at the Annual Meeting.

*If you are the beneficial owner, but not the holder of record, of shares* and fail to provide voting instructions, your broker or other holder of record is permitted to vote your shares on the ratification of Deloitte as our independent registered public

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accounting firm. However, absent instructions from you, your broker or other holder of record may not vote on the election of directors or the advisory vote to approve named executive officer compensation, and no votes will be cast on your behalf for those matters.

**Is my vote confidential?**

All voted proxies and ballots will be handled in a manner intended 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.

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**ELECTION OF DIRECTORS**

**(ITEM 1)**

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, our Board has nominated the following eight persons for reelection as directors at this year's Annual Meeting for a term of one year: John F. Bookout, III, Roger A. Brown, Stephen G. Hanks, Stephen M. Johnson, D. Bradley McWilliams, Thomas C. Schievelbein, Mary L. Shafer-Malicki and David A. Trice.

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.

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.

In nominating individuals to become members of the Board of Directors, the Governance Committee considers the experience, qualifications, and skills of each potential member. Each nominee brings a strong and unique background and set of skills to the Board, giving the Board as a whole competence and experience in a wide variety of areas. The Governance Committee and the Board of Directors considered the following information, including the specific experience, qualifications, attributes or skills, in concluding each individual was an appropriate nominee to serve as a member of our Board for the term commencing at this year's Annual Meeting (ages are as of May 10, 2012).

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



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**John F. Bookout, III**

**Director Since 2006**

Age 58

Finance Committee Member

Governance Committee Member

Mr. Bookout has served as a Managing Director of 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 March 2008. Until 2006, he was a director of McKinsey & Company, a global management consulting firm, which he joined in 1978. Mr. Bookout previously served as a director of Tesoro Corporation from 2006-2010. The Board of Directors is nominating Mr. Bookout in consideration of his:

global experience with the petroleum refining and marketing industry and oil and gas exploration and development industry;

expertise in private equity and finance; and

experience as a board member of public companies, including McDermott.

**Roger A. Brown**

**Director Since 2005**

Age 67

Compensation Committee Member

Governance Committee Chairman

From 2005 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. Mr. Brown was President of Smith Technologies (a business unit of Smith International, Inc.) from 1998 until 2005. Mr. Brown has also served as a director of Ultra Petroleum Corp. since 2007 and Boart Longyear Limited since 2010. The Board of Directors is nominating Mr. Brown in consideration of his:

executive leadership experience in the oil and gas exploration and production industry;

knowledge of corporate governance issues; and

experience as a board member of public companies, including McDermott.



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**Stephen G. Hanks** **Director Since 2009**

Age 61

Audit Committee Member

Finance Committee Member

From November 2007 until his retirement in January 2008, Mr. Hanks was President of the Washington Division of URS Corporation, an engineering, construction and technical services company, and he also served as a member of URS Corporation's Board of Directors during that time. Previously, from June 2001 to November 2007 he was President and CEO of Washington Group International, Inc. ( Washington Group ), an integrated engineering, construction and management services company which was acquired by URS Corporation in 2007, and also served on its Board of Directors. Mr. Hanks has also served as a director of Lincoln Electric Holdings, Inc. since 2006 and as a director of The Babcock & Wilcox Company since 2010. The Board of Directors is nominating Mr. Hanks in consideration of his:

experience in executive leadership, including his position as the Chief Executive Officer of Washington Group;

background and knowledge in the areas of accounting, auditing and financial reporting, having previously served as a Chief Financial Officer;

experience in the engineering and construction industry; and

experience as a board member of public companies, including McDermott.

**Stephen M. Johnson** **Director Since 2010**

Age 60

Chairman of the Board, President and Chief Executive Officer

Mr. Johnson has been President and Chief Executive Officer of McDermott and a member of our Board since July 2010, and has served as Chairman of our Board since May 2011. Previously, he served as President and Chief Executive Officer of J. Ray McDermott, S.A., one of our subsidiaries, from January 2010 to July 2010, and President and Chief Operating Officer of McDermott from April 2009 to December 2009. From 2001 to 2008, Mr. Johnson was Senior Executive Vice President and Member, Office of the Chairman, at Washington Group and at URS Corporation, which acquired Washington Group in 2007. The Board of Directors is nominating Mr. Johnson in consideration of his:

position as our Chairman, President and Chief Executive Officer;

experience in executive leadership for public companies in the engineering and construction industry, encompassing global experience, technical knowledge and complex business and financial structuring, as well as experience in the oil & gas, chemical processing, power generation, transportation, mining and government businesses;

operational and financial expertise in the engineering and construction industry, both in the United States and in international markets, including having resided, worked or led complex business transactions in the United States, Europe, Africa, the Middle East and Asia Pacific regions;

experience as a recognized leader in the area of risk management within the engineering and construction industry, having participated in the founding of the Engineering & Construction Risk Institute, a global organization focused on developing best practices in risk management, of which he served as Chairman; and

broad knowledge of the demands and expectations of our core customers.

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**D. Bradley McWilliams** **Director Since 2003**

Age 70

Lead Director

Audit Committee Member

Finance Committee Chairman

Mr. McWilliams has served as our Lead Director since May 2011. 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. Mr. McWilliams has served as a director and Lead Director of The Babcock & Wilcox Company since 2010 and previously served as a director of Kronos Incorporated from 1993 to 2005. The Board of Directors is nominating Mr. McWilliams in consideration of his:

background in public accounting;

background and knowledge in the areas of accounting, auditing and financial reporting, having served as a Chief Financial Officer of a public company; and

experience as a board member and lead director of public companies, including McDermott.

**Thomas C. Schievelbein** **Director Since 2004**

Age 58

Compensation Committee Chairman

Governance Committee Member

Mr. Schievelbein has served as interim President and Chief Executive Officer of The Brinks Company, a secure transportation, cash handling and security-related services company, since December 2011. Previously, Mr. Schievelbein served as President of Northrop Grumman Newport News, a subsidiary of the Northrop Grumman Corporation, a global defense company, from November 2001 until his retirement in November 2004; and as Executive Vice President and Chief Operating Officer of Newport News Shipbuilding, Inc. from October 1995 to October 2001. Mr. Schievelbein has also served as a director of Huntington Ingalls Industries, Inc. since 2011, The Brinks Company since 2009, including as interim Chairman of the Board from November to December 2011, and New York Life Insurance Company since 2006. The Board of Directors is nominating Mr. Schievelbein in consideration of his:

operational, business technology development and risk mitigation and control experience gained through executive leadership;

experience with the oversight of compensation strategies and plans; and

experience as a board member of public companies, including McDermott.



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<b>Mary L. Shafer-Malicki</b>	<b>Director Since 2011</b>
Age 51	

Compensation Committee Member

Finance Committee Member

From July 2007 until her retirement in March 2009, Ms. Shafer-Malicki was Senior Vice President and Chief Executive Officer of BP Angola, a subsidiary of BP p.l.c., an oil and natural gas exploration, production, refining and marketing company. Previously, Ms. Shafer-Malicki served as Chief Operating Officer of BP Angola from January 2006 to June 2007; and various other international engineering and managerial positions with BP p.l.c. Ms. Shafer-Malicki has also served as a director of Ausenco Limited since January 2011. The Board of Directors is nominating Ms. Shafer-Malicki in consideration of her:

experience in the upstream energy and supporting infrastructure businesses;

knowledge of and experience with our core customers;

executive experience and business leadership skills, including operations, strategy, commercial, safety and supply chain management; and

significant international experience, having executive or management experience in Europe, Asia Pacific and Africa.

<b>David A. Trice</b>	<b>Director Since 2009</b>
Age 64	

Audit Committee Chairman

Compensation Committee Member

From February 2000 until his retirement in May 2009, Mr. Trice was Chief Executive Officer of Newfield Exploration Company, an oil and natural gas exploration and production company, and served as Chairman of its board from September 2004 to May 2010. Mr. Trice has served as a director of New Jersey Resources Corporation since 2004 and QEP Resources, Inc. since 2011. Mr. Trice previously served as a director of Grant PrideCo, Inc. from 2003 to 2008 and Hornbeck Offshore Services, Inc. from 2002 to 2011. The Board of Directors is nominating Mr. Trice in consideration of his:

executive experience as a Chief Executive Officer of a public company;

experience in the oil and gas exploration and production business;

background and knowledge in the areas of accounting, auditing and financial reporting; and

experience as a board member of public companies, including as a chairman of a public company.



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**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](http://www.mcdermott.com) at [About Us](#) [Leadership & Corporate Governance](#) [Corporate Governance](#) and [About Us](#) [Leadership & Corporate Governance](#) [Board Committees](#). The corporate governance section contains the following documents:

By-Laws

Corporate Governance Guidelines

Code of Ethics for CEO and Senior Financial Officers

Board of Directors Conflicts of Interest Policies and Procedures

Audit Committee Charter

Compensation Committee Charter

Finance Committee Charter

Governance Committee Charter

In addition, our Code of Business Conduct may be found on our Web site at [www.mcdermott.com](http://www.mcdermott.com) at [About Us](#) [Leadership & Corporate Governance](#).

**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, 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 New York Stock Exchange rules then in effect, the Board previously 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, which can be found on our Web site at [www.mcdermott.com](http://www.mcdermott.com) under, [About Us](#) [Leadership & Corporate Governance](#) [Corporate Governance](#).

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  
Stephen G. Hanks  
D. Bradley McWilliams

Thomas C. Schievelbein  
Mary L. Shafer-Malicki  
David A. Trice

In addition, our Board also determined, prior to his retirement in May 2011, that Mr. Ronald C. Cambre was independent and met our categorical standards.

In determining the independence of the directors, our Board considered ordinary course transactions between us and other entities with which the directors are associated, none of which were determined to constitute a material relationship with us. Messrs. Brown, Schievelbein and Trice have no relationship with McDermott, except as a director and stockholder. Mr. Hanks and Ms. Shafer-Malicki are directors of entities with which we transact business in the ordinary course. Mr. Bookout is an outside consultant for an affiliate of an entity with which we transact

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business in the ordinary course. Messrs. Hanks and McWilliams are directors of The Babcock & Wilcox Company ( B&W ), which pursuant to the transition services agreements entered into by McDermott and B&W prior to the spin-off of B&W (the Spin-off ), McDermott has transacted with following the Spin-off. Our Board also considered unsolicited contributions by us to charitable organizations with which the directors were associated. Additionally, no director is related to any executive or significant shareholder of McDermott, nor is any director, with the exception of Mr. Johnson, a current or former employee of McDermott.

### **Executive Sessions**

Our independent directors meet in executive session without management on a regular basis. Currently, Mr. D. Bradley McWilliams, our Lead Director, serves as the presiding director for these executive sessions.

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### **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 members), c/o McDermott International, Inc., Corporate Secretary's Office, 757 N. Eldridge Pkwy., Houston, Texas 77079. Information regarding this process is posted on our Web site at [www.mcdermott.com](http://www.mcdermott.com) under "About Us" Leadership & Corporate Governance "Independent Director Access Information.

### **Board of Directors and Its Committees**

Our Board met nine times during 2011. All directors attended 75% or more of the meetings of the Board and of the committees on which they served during 2011. 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 2011 Annual Meeting, with the exception of Ms. Shafer-Malicki, who was unable to attend due to a pre-existing conflict prior to joining our Board in February 2011.

### ***Board Leadership Structure***

Commencing on May 6, 2011, Mr. Johnson has served as Chairman of the Board in addition to his service as Chief Executive Officer. Prior to that date, Mr. Cambre served as Chairman of the Board. In connection with Mr. Cambre's retirement, our Board reevaluated whether the positions of Chairman of the Board and Chief Executive Officer should be separate or occupied by the same individual, and determined that Mr. Johnson should serve as Chairman of the Board in addition to Chief Executive Officer. As the individual with primary responsibility for managing our day-to-day operations, Mr. Johnson is most familiar with our business and the complex challenges faced by McDermott. As a result, we believe that he is best positioned at this time to identify strategic priorities and lead Board discussions and decision-making processes regarding key business and strategic issues, as well as to oversee the execution of important strategic initiatives. As Chief Executive Officer, Mr. Johnson is in an optimal position to facilitate the flow of information between management and the Board and is able to ensure that McDermott presents its message and strategy to stockholders, employees, customers and other stakeholders with a unified voice.