

MCDERMOTT INTERNATIONAL INC
Form DEF 14A
March 24, 2017

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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:

<input type="checkbox"/>	Preliminary Proxy Statement
<input type="checkbox"/>	Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
<input type="checkbox"/>	Definitive Proxy Statement
<input type="checkbox"/>	Definitive Additional Materials
<input type="checkbox"/>	Soliciting Material Under Rule 14a-12

McDermott International, Inc.

(Name of Registrant as Specified In Its Charter)
(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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2017

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In early 2017, McDermott acquired the newly built pipelay and construction vessel Amazon to better position the Company for ultradeepwater and subsea, umbilicals, risers and flowlines projects. McDermott plans to upgrade the vessel to address the ultradeepwater market with a state-of-the-art J-lay system outfitted with the latest vessel technology.

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LETTER TO STOCKHOLDERS

Gary P. Luquette
Independent Chair
of the Board

Our 2016 results are the culmination of our three year journey to improve execution in our base business while positioning McDermott for growth.

Dear Fellow Stockholders:

A Year of Strong Financial and Operating Performance

We are pleased to report that 2016 was a year of strong operational and financial performance for McDermott, despite persistent challenges presented by the macro oil and gas market:

120% TSR **\$2.6B** Revenues **\$142.3M** Operating Income **\$4.3B** Backlog

These strong results are a testament to the leadership of McDermott and successfully executing our operational strategy. Continued improvements in project execution, increased focus on cost control and strengthening customer relationships all contributed to our best results in many years, including the strongest total shareholder return among peers for the second consecutive year.

The Culmination of a Three Year Journey

Our 2016 results are the culmination of our three year journey to improve execution in our base business while positioning McDermott for growth. Although 2014 began with the business facing financial difficulty, we took meaningful actions to develop and execute a turnaround plan for our business. These actions resulted in considerably improved financial results for 2015 against the backdrop of deteriorating market conditions. In 2016, we remained highly focused on items within our control and executed our operating strategy to drive sustainable and profitable growth with an increased focus on stockholders, customers and all of our stakeholders.

Continued Alignment of Operating Strategy, Financial Goals and Executive Compensation

Our 2016 results reflect the achievement of our 2016 business objectives, which include driving enhanced profitability through improved project execution, supporting future business through increased backlog, promoting pricing discipline on new bids, prioritizing liquidity needs through cost management and efficiently allocating capital to profitable investments. Key 2016 over-arching initiatives, the One McDermott Way and Taking the Lead, built upon 2015's progress and further drove improvements in project execution and cost management, leading to on-schedule milestone completions in all of our operating areas. Additionally, as part of our commitment to cost containment, we completed our Additional Overhead Reduction program, which generated \$45.8M of additional cash savings in 2016.

Our 2016 executive compensation programs were thoughtfully structured to align with and drive our operational performance and achieve financial targets. Stockholder feedback has been and will continue to be influential in shaping our compensation programs.

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Corporate Governance, Board Oversight and Community

The extensive stockholder outreach program we began in 2015 remained a key priority for our Board in 2016. Members of our Board held discussions with holders of approximately 30% of our outstanding common stock on an array of topics, and based on feedback received we made adjustments to our compensation program, including returning to the use of a relative metric in our long-term incentive plan, and also enhanced governance processes, including placing a limit on the number of boards on which our directors may serve. You will find additional details around these and other changes on pages 11 and 38 of this Proxy Statement.

Ethics, compliance and sustainability are integral to McDermott's long-term success and we are deeply committed to ensuring all our employees, as well as those conducting business on our behalf, adhere to principles of ethical behavior and core values which include a personal commitment to integrity. Likewise, we realize the importance of integrating sustainable and socially responsible practices into our business. We are proud of our industry leading safety culture and the progress we have made this year in reducing our environmental footprint and in supporting the communities in which we operate.

Looking Forward

Thanks to our Board and executive team's success in executing our 2016 operating plan, McDermott has entered 2017 confidently, with over \$3.0 billion of expected 2017 revenues booked in backlog as of 2016 year-end, a strong pipeline of potential new projects and excitement about our ability to continue differentiating ourselves to our global customers for years to come.

I am pleased to invite you to attend the 2017 Annual Meeting of Stockholders and, even if you are not able to attend, encourage you to vote via proxy. The accompanying Proxy Statement highlights many of our key activities and accomplishments in 2016 and contains information on the matters to be acted on at the Annual Meeting.

On behalf of the Board, our executive team, and the entire McDermott organization, thank you for your continued interest and support, as we seek to leverage the momentum of 2016 and look to the future.

Sincerely yours,

Gary P. Luquette
Independent Chair of the Board

March 24, 2017

YOUR VOTE IS IMPORTANT.

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

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

NOTICE OF 2017 ANNUAL MEETING OF STOCKHOLDERS

Time and Location

10:00 a.m., local time, on Friday, May 5, 2017
The Westin Houston Hotel
945 Gessner Road
Houston, Texas 77024

Record Date and Voting

You are entitled to vote if you were a stockholder of record at the close of business on March 13, 2017 (the Record Date). Each share of common stock is entitled to one vote for each director nominee and one vote for each of the other proposals to be voted on at the meeting. There were 243,047,477 shares of our common stock outstanding on the Record Date.

Items of Business

1. To elect eight members to our Board of Directors, each for a one year term.
2. To conduct an advisory vote to approve named executive officer compensation.
3. To conduct an advisory vote on the frequency with which to hold advisory votes on named executive officer compensation.
To ratify our Audit Committee's appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the year ending December 31, 2017.
4. December 31, 2017.
5. To transact such other business that properly comes before the meeting or any adjournment thereof.

Proxy Voting

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

Notice and Access

Instead of mailing a printed copy of our proxy materials, including our Annual Report, to each stockholder of record, we are providing access to these materials via the Internet. This reduces the amount of paper necessary to produce these materials, as well as the costs associated with mailing these materials to all stockholders. Accordingly, on March 24, 2017, we began mailing a Notice of Internet Availability of Proxy Materials (the Notice) to all stockholders of record as of the Record Date, and posted our proxy materials on the Web site referenced in the Notice (www.proxyvote.com). As more fully described in the Notice, all stockholders may choose to access our proxy materials on the Web site referred to in the Notice and/or may request a printed set of our proxy materials. In addition, the Notice and Web site provide information regarding how you may request to receive proxy materials in printed form by mail or electronically by email on an ongoing basis.

Attending the Annual Meeting

See page 71, Questions and Answers About the Annual Meeting and Voting for details.

By Order of the Board of Directors,

Liane K. Hinrichs
Secretary
March 24, 2017

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to Be Held on May 5, 2017.

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

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

The date, time and location of the meeting;

A list of the matters intended to be acted on and our recommendations regarding those matters;
Any control/identification numbers that you need to access your proxy card; and
Information about attending the meeting and voting in person.

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ABOUT MCDERMOTT

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

Engineering	Procurement	Construction	Installation
We design production facilities in multiple phases through increased levels of definition to manage risks and maximize value across all stages of project development.	Certainty of supply requires early and thorough planning, a realistic timetable, reliable expediting, a network of high quality suppliers and subcontractors and understanding of the sourcing market.	Our global fabrication facilities handle multiple, fast-track projects for conventional shallow water structures, deepwater floating platforms and subsea facilities.	Our fleet of vessels can be mobilized safely and efficiently for installation campaigns anywhere in the world, optimizing productivity and mitigating various risks associated with operations offshore.

McDermott at a Glance

New York Stock Exchange:

MDR

Headquarters:

Houston, Texas

Employees:

Approximately 12,400

Operating Areas:

20 countries in oil and gas producing regions worldwide

Vessel Fleet:

12 construction and multi-service vessels

Customers:

National, International and Independent Oil Companies

Financials (as of 12/31/16):

TSR: **120%**

Revenue: **\$2.6B**

Operating Income: **\$142.3M**

Backlog: **\$4.3B**

Forward-Looking Statements

McDermott cautions that the statements in this proxy statement which are forward-looking, and provide other than historical information, including, among other things, statements about backlog, to the extent backlog may be viewed as an indicator of future revenues, and about McDermott's expected 2017 revenues, future performance, bidding pipeline and planned upgrades to the Amazon involve risks, contingencies and uncertainties that may impact McDermott's actual results of operations. Forward-looking

statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. For a more complete discussion of these and other risk factors, please see McDermott's annual and quarterly filings with the Securities and Exchange Commission, including its annual report on Form 10-K for the year ended December 31, 2016. Except to the extent required by applicable law, McDermott undertakes no obligation to update or revise any forward-looking statement.

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PROXY SUMMARY

This proxy summary highlights information contained elsewhere in this proxy statement, and is divided into four sections:

- I. 2016 Financial Performance Highlights and Strategy;
- II. Executive Compensation Highlights;
- III. Board and Corporate Governance Highlights; and
- IV. Items of Business for the Annual Meeting.

This summary does not contain all of the information that you should consider, and you should read the entire proxy statement carefully. As used in this proxy statement, unless the context otherwise indicates or requires, references to McDermott, we, us, and our mean McDermott International, Inc. and its consolidated subsidiaries. We first sent or provided this proxy statement and the form of proxy for our 2017 Annual Meeting of Stockholders on March 24, 2017.

I. 2016 Financial Performance Highlights and Strategy

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Proxy Summary

Total shareholder return (TSR) for McDermott was 120% for 2016, as compared to our Proxy Peer Group s median TSR of approximately 12%. McDermott s TSR was higher than the 2016 TSR for any of the companies constituting our Proxy Peer Group. Our operating income also continued to increase, with full year operating income of \$142.3 million compared to 2015 operating income of \$112.7 million and 2014 operating income of \$16.4 million. Order intake (including change orders) was \$2.7 billion in 2016, which, while a decrease from 2015, was considered positively in light of the lower for longer oil and gas market that continued through 2016. Year-end 2016 backlog was slightly up compared to year-end 2015, and provides a strong foundation for 2017 with approximately \$3 billion of expected 2017 revenues already recorded in backlog as of December 31, 2016. In evaluating the performance of David Dickson, our President and Chief Executive Officer, the Board has considered these performance results, as well as other financial and leadership goals detailed further below, and believes that Mr. Dickson has succeeded in positioning McDermott as a stronger, more durable business, particularly during a difficult business cycle and extended challenging macro environment.

2016 Strategy and Goals

Following the appointment of David Dickson as President and Chief Executive Officer in December 2013, and notwithstanding a challenging macro oil and gas environment, over the past three years McDermott has transformed as a company through stabilization of the business, optimization via cost-reduction initiatives and growth through strategic asset investment.

In continuation of McDermott s transformation, our strategy in 2016 was to drive a sustainable, profitable and growth-oriented business, with a focus on stockholders, customers and other stakeholders. In furtherance of this strategy, our 2016 goals were to:

- increase operating income via improved project execution;
- increase cash flows by prioritizing our liquidity needs;
- increase backlog and bookings to support our future business;
- promote pricing discipline on order intake operating margins; and
- efficiently allocate capital to profitable investments to grow our business.

Strong project execution, additional cost management, improved liquidity culture and increased organizational capabilities and competencies drove the execution of McDermott s strategy and goals in 2016.

II. Executive Compensation Highlights

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



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

2016 Compensation Program

Reflecting this philosophy, our NEO compensation arrangements in 2016 provided for the continuing use of three elements of target total direct compensation: annual base salary, annual incentive provided under our Executive Incentive Compensation Plan, or EICP, and long-term incentives, or LTI. In making compensation decisions for 2016, the Compensation Committee considered McDermott's operating strategy and goals and significantly improved operational and financial performance, with appreciation of the lower for longer macro oil and gas environment and comments received during the 2016 stockholder outreach program.

With respect to plan design, the Compensation Committee:

maintained consistency in the 2016 EICP performance metrics, with the exception of the elimination of the MPI modifier following completion of the McDermott Profitability Initiative, or MPI, in 2015; and evolved the 2016 LTI performance metric to relative Return on Average Invested Capital, or relative ROAIC, in consideration of McDermott's transformation from turnaround and stabilization to optimization for future growth.

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With respect to levels of compensation, the Compensation Committee generally sought to maintain 2016 NEO compensation consistent with 2015 levels, with the exception of Mr. Dickson, whose 2016 target LTI award was returned to 2014 levels following an increased target LTI award in 2015, Mr. Spence, who received an increase in his 2016 target LTI award to better approximate market range and Mr. Kennefick, who received an increase in his 2016 target LTI award following his promotion in 2015. Accordingly, for 2016 NEO compensation, the Compensation Committee provided:

No increases in annual base salaries.

No increases in target annual incentive.

The same number of LTI units as awarded in 2015, other than for those NEOs whose target LTI awards were adjusted as described above. Due to the decrease in the price of McDermott stock as of the grant date for the 2016 annual LTI awards, as compared to the grant date for the 2015 annual LTI awards, this resulted in a year over year decrease in the grant date fair value of LTI awarded to the NEOs, with the exception of Messrs. Spence and Kennefick, as noted above.

The mix of target total direct compensation for Mr. Dickson for 2016 is shown in the chart below.

CEO TARGET 2016 COMPENSATION

Table of Contents**Proxy Summary****Impact of 2016 Say on Pay Vote on Executive Compensation and Stockholder Outreach**

What we heard	What we have done in response	When effective
Maintain consistency in executive compensation plans	The financial metrics under our EICP operating income, free cash flow, order intake and order intake operating margin have remained consistent since 2014, with the exception of the use of the MPI Modifier in 2015, which was not included as a metric for 2016. The Compensation Committee approved the continuing use of these metrics for the 2016 and 2017 EICP awards.	2014, 2015, 2016 and 2017 EICP Awards
Consider returning to a relative metric for LTI plan awards	The Compensation Committee approved the use of Return on Average Invested Capital relative to a competitor peer group as the performance metric for both the 2016 and 2017 Performance Unit awards.	2016 and 2017 Performance Unit Awards
Consider composition of Peer Group	The Compensation Committee added a competitive peer group of both domestic and international peers for determining performance under the 2016 and 2017 Performance Unit awards.	2016 and 2017 Performance Unit Awards
Require double-trigger vesting of equity awards upon a change in control	The 2016 long-term incentive award grant agreements and 2016 McDermott International, Inc. Long-Term Incentive Plan, or the 2016 LTIP, provide for double trigger vesting upon a change in control, except where the awards are not assumed in the transaction.	February 2016 and Approval of 2016 LTIP
Maintain strong corporate governance foundation	The Board adopted limits on the number of boards on which directors may serve. Directors who serve as a CEO or senior executive of a public company generally may serve on no more than two public company boards and other directors may serve on no more than three public company boards (in both instances, including the McDermott Board).	November 2016
Maintain commitment to Board refreshment	The Governance Committee continued its commitment to Board refreshment. Consistent with our By-Laws, Roger A. Brown will retire from our Board at the 2017 Annual Meeting of Stockholders.	Ongoing
Consider periodic usage of an independent third party facilitator for Board and Committee evaluations	McDermott engaged an independent, third party facilitator in connection with the Board of Director and Committee evaluations conducted for 2017.	2017 Board Evaluations
Provide disclosure on McDermott's corporate social responsibility and sustainability activities	We have provided disclosure on McDermott's corporate social responsibility and sustainability activities in this proxy statement, and expect to continue to increase disclosures around these activities in the future.	2017 Proxy Statement
Continue stockholder engagement	The Board has prioritized stockholder engagement and will be continuing its vigorous outreach program going forward.	Ongoing

Table of Contents**Proxy Summary****III. Board and Corporate Governance Highlights**

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

Director Nominees

The Board of Directors has nominated eight candidates, each for a one-year term.

	Age	Director Since	Independent	Committees	Other Current Public Company Boards
John F. Bookout, III Partner, Apollo Global Management, LLC	63	2006		Audit Governance	None
David Dickson President and Chief Executive Officer of McDermott	49	2013		None	None
Stephen G. Hanks President, Chief Executive Officer of Washington Group International, Inc. (retired)	66	2009		Audit Governance (Chair)	Lincoln Electric Holdings, Inc. Babcock & Wilcox Enterprises, Inc.
Erich Kaeser Chief Executive Officer of Siemens Middle East (retired)	61	2016		Audit Compensation	None
Gary P. Luquette President and Chief Executive Officer of Frank's International N.V. (retired)	61	2013		Compensation	Frank's International, N.V.
Non-Executive Chair of the Board of McDermott					
William H. Schumann, III Executive Vice President of FMC Technologies, Inc. (retired)	66	2012		Audit (Chair) Governance	Avnet, Inc. Tesoro Corporation
Mary L. Shafer-Malicki Senior Vice President and Chief Executive Officer of BP Angola (retired)	56	2011		Compensation (Chair) Governance	John Wood Group PLC
David A. Trice Chief Executive Officer of Newfield Exploration Company (retired)	69	2009		Audit Compensation	New Jersey Resources Corporation QEP Resources, Inc.

Current Board Snapshot

Board Independence

Tenure Balance

Relevant Skills and Experience

In accordance with our Corporate Governance Guidelines, 8 of our 9 directors are independent, including the Chair of the Board.

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

Our directors bring leadership experience in fields relevant to McDermott.

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Table of Contents**Proxy Summary****Corporate Governance Highlights**

McDermott's Board has implemented policies and structures that we believe are among best practices in corporate governance. The Corporate Governance section of this proxy statement beginning on page 16 describes our governance framework, which includes the following:

Current Board and Governance Information

Size of Board	9	Board Orientation	Yes
Number of Independent Directors	8	Succession Planning Oversight	Yes
Separate Chair and CEO	Yes	Board Risk Oversight	Yes
Board Meetings Held in 2016	16	Code of Conduct for Directors, Officers and Employees	Yes
Mandatory Retirement Age	72	Stock Ownership Guidelines for Directors and Executive Committee, or EXCOM, Members	Yes
Average Age of Directors	63	Anti-Hedging and Pledging Policies	Yes
Annual Board and Committee Evaluations	Yes	Clawback Policy and Forfeiture Provisions	Yes
Independent Directors Meet in Executive Sessions	Yes	Stockholder Outreach Program	Yes

Corporate and Social Responsibility

We are committed to improving the quality of life in the communities where we live and work.

Volunteering	Our employees donate their time and expertise to support charitable programs and outreach initiatives around the world. Local operations identify those in need and develop partnerships to support the health, safety and wellbeing of their neighbors. Employees are generous with their time and often volunteer after-hours or on weekends to support the greater good.
Giving	Donations are made at both the individual and corporate level to support non-profit social service organizations. Giving, in addition to monetary donations, can take the form of canned goods, toys and clothing that directly benefit local food banks, orphanages and shelters. McDermott is also a proud supporter of the American Heart Association, National MS Society and Dubai Centre for Special Needs.
Leading	The Batam International Charity (BIC) is a registered non-profit managed by a committee of employees and senior management of McDermott in Batam, Indonesia, the location of one of McDermott's fabrication yards. BIC focuses on improving the quality of life of those less fortunate in the Riau Island Province, with a significant focus on orphans. The charity is fully funded by an annual tournament that raised over \$350,000 USD combined in 2015 and 2016.

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Item of Business	Board Vote Recommendation and Rationale	Page Reference
Item 1 Election of Directors	The Board of Directors has nominated eight candidates, each for a one-year term, and recommends that stockholders vote for each nominee based on their specific background, experience, qualifications, attributes and skills. FOR	16
Item 2 Advisory Vote to Approve Named Executive Officer Compensation	We recommend that you review our Compensation Discussion and Analysis beginning on page 33, which explains in greater detail the philosophy of the Compensation Committee and its actions and decisions in 2016 regarding our compensation programs. While the outcome of this proposal is non-binding, the Board and Compensation Committee will consider the outcome of the vote when making future compensation decisions. EVERY YEAR	33
Item 3 Advisory Vote on the Frequency of the Advisory Vote on Named Executive Officer Compensation	The Board recommends that a stockholder vote for the advisory vote on executive compensation to be held every year, to allow our stockholders to evaluate our executive compensation and communicate their approval or disapproval to us on as prompt a basis as is practicable. FOR	66
Item 4 Ratification of Deloitte & Touche as Auditors	Our Board of Directors has ratified our Audit Committee's appointment of Deloitte & Touche LLP as McDermott's independent registered public accounting firm for the year ending December 31, 2017, and, as a matter of good governance, we are seeking stockholder ratification of that appointment.	67

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CORPORATE GOVERNANCE

Introduction

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

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

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

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

Item 1 Election of Directors

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

Election Process

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

Our By-Laws provide that (1) a person shall not be nominated for election or reelection to our Board of Directors if such person shall have attained the age of 72 prior to the date of election or reelection, and (2) any director who attains the age of 72 during his or her term shall be deemed to have resigned and retired at the first Annual Meeting following his or her attainment of the age of 72. Accordingly, a director nominee may stand for election if he or she has not attained the age of 72 prior to the date of election or reelection. Pursuant to these By-Law requirements, Roger A. Brown will retire from our Board after eleven years of service, effective at this year's Annual Meeting.

2017 Nominees

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In nominating individuals to become members of the Board of Directors, the Governance Committee considers the experience, qualifications, attributes and skills of each potential member. Each nominee brings a strong and unique background and set of skills to the Board, giving the Board, as a whole, competence and experience in a wide variety of areas. The Governance Committee and the Board of Directors considered the following information, including the specific experience, qualifications, attributes or skills of each individual, in concluding each was an appropriate nominee to serve as a member of our Board for the term commencing at this year's Annual Meeting (ages are as of May 5, 2017).

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<p>JOHN F. BOOKOUT, III</p> <p>Director Since 2006</p> <p>Committee Assignments: Audit Committee Governance Committee</p>	<p>Former Public Company Directorships: Tesoro Corporation (2006-2010)</p> <p>Skills and Qualifications: Energy/Oil Field Services Industry Other Public Company Directorships Corporate Governance Executive Leadership Financial & Private Equity International Operations</p>
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Mr. Bookout, 63, currently serves as a Partner at Apollo Global Management, LLC, (Apollo) a global investment management firm, since June 2016. Previously, he served as a Senior Advisor at Apollo from October 2015 to June 2016, and Managing Director of Energy and Infrastructure at Kohlberg Kravis Roberts & Co. (KKR), a private equity firm, from March 2008 until his retirement from KKR in June 2015. Prior to joining KKR, he served as a director of McKinsey & Company, a global management consulting firm that he joined in 1978. During Mr. Bookout's career with McKinsey, he held several leadership roles, including Managing Partner and Head of North American and European energy practices and was responsible for McKinsey's 17 global industry practices. Mr. Bookout has focused his career on the petroleum refining, marketing, exploration and development, and the natural gas and electric utility industries. Mr. Bookout also served as a director of Tesoro Corporation, an independent refiner and marketer of petroleum products, from 2006 to 2010. Mr. Bookout has a Bachelor of Arts degree in Economics from Rice University and an M.B.A. from Stanford Graduate School of Business.

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

<p>DAVID DICKSON</p> <p>Director Since 2013</p> <p>President and Chief Executive Officer</p>	<p>Skills and Qualifications: Offshore Oilfield Engineering/Construction Industry Knowledge of and relationships with core customers Corporate Governance Executive Leadership Financial Oversight International Operations</p>
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Mr. Dickson, 49, has served as a member of our Board of Directors and as President and Chief Executive Officer since December 2013, and previously as our Executive Vice President and Chief Operating Officer beginning in October 2013. Mr. Dickson has over 25 years of offshore oilfield engineering and construction business experience, including 11 years of experience with Technip S.A. and its subsidiaries. From September 2008 to October 2013, he served as President of Technip U.S.A. Inc., with oversight responsibilities for all of Technip's North American operations. In addition to being the President of Technip U.S.A. Inc., Mr. Dickson also had responsibility for certain operations in Latin America. Mr. Dickson also supported the Technip organization by managing key customer accounts with international oil companies based in the United States.

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

Table of Contents**STEPHEN G. HANKS****Director Since 2009****Committee Assignments:**

Governance Committee (Chair)
Audit Committee

Current Public Company Directorships:

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

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

Former Public Company Directorships:

Washington Group International, Inc. (2000-2007)
URS Corporation (2007-2008)
The Babcock & Wilcox Company (2010-June 2015)

Skills and Qualifications:

Engineering/Construction Industry
Other Public Company Directorships
Corporate Governance
Executive Leadership
Financial Oversight
International Operations

Mr. Hanks, 66, has held various roles over a 30-year career with Washington Group International, Inc. (and its predecessor, Morrison Knudsen Corporation), an integrated engineering, construction and management solutions company for businesses and governments worldwide. From 1994 to 1995, Mr. Hanks served as Executive Vice President Administration and Finance of Morrison Knudsen Corporation and later served as Washington Group International, Inc.'s President and Chief Executive Officer and was a member of its board of directors from 2000 through 2007. From November 2007 until his retirement in January 2008, he was President of the Washington Division of URS Corporation. He formerly served as Executive Vice President, Chief Legal Officer and Secretary for Washington Group International. He has also served as a director of Lincoln Electric Holdings, Inc., a global leader in arc welding, robotic welding systems, plasma and oxyfuel cutting equipment and brazing and soldering alloys, since 2006, and as a director of Babcock & Wilcox Enterprises, Inc., a global leader in energy and environmental technologies and services for the power and industrial markets, since July 2015. Mr. Hanks has a Bachelor of Science degree in Accounting from Brigham Young University, a Master's degree in Business Administration from the University of Utah and a Juris Doctor degree from the University of Idaho.

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

ERICH KAESER**Director Since 2016****Committee Assignments:**

Audit Committee
Compensation Committee

Skills and Qualifications:

Energy/Infrastructure Services Industry
Corporate Governance
Executive Leadership
Financial Oversight
Knowledge of Core Customers
International Operations

Prior to his retirement in December 2014, Mr. Kaeser, 61, served in key executive and advisory positions, with a strong focus on the Middle East markets, throughout his 35 year career at Siemens AG, a global conglomerate producing energy-efficient and resource-saving technologies across a variety of industrial sectors. Mr. Kaeser served as Executive Advisor to the Siemens AG Board and Regional Middle East Management from December 2013 to December 2014, and as Chief Executive Officer, Siemens Middle East, responsible for overseeing Siemens business operations in 16 countries, from August 2008 to November 2013. He also served as Senior Vice President, Head of Corporate Development and Regional Strategies, Africa, Middle East, C.I.S., Siemens AG from May 2007 to August 2008, and in several other managerial and executive capacities within the Energy, Industry, Infrastructure and Cities sectors since commencing his career at Siemens in 1979, including: Senior Vice President, Head of Corporate Development and Regional Strategies, Africa, Middle East, C.I.S., Siemens A.G., from 2007 to 2008, Managing Director Branch Offices, Jordan, Syria and Lebanon, Siemens A.G., from 2006 to 2007, General Manager Power Transmission & Distribution Systems, Lower Gulf (UAE, Qatar, Bahrain, Oman, Yemen), Siemens LLC, from 2005 to 2006, President Transportation Systems Turnkey Systems (worldwide), Siemens A.G., from 2004 to 2005, and Chief Executive Officer of Siemens Ltd. in Saudi Arabia, from 2000 to 2004. Since January 2015, Mr. Kaeser has served as an Executive Advisor for MKS Consultancy FZ LLC (a member of QRC Group A.G.), an international management consulting and executive recruitment company. Mr. Kaeser holds a Bachelor degree in Electrical Power Engineering from the Regensburg University of Applied Sciences in

Germany.

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

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GARY P. LUQUETTE

Director Since 2013

Non-Executive Chair of the Board

Committee Assignments:

Compensation Committee

Current Public Company Directorships:

Frank's International N.V. (Since 2013) Supervisory Committee

From January 2015 until November 2016, Mr. Luquette, 61, served as President and Chief Executive Officer of Frank's International N.V. (Frank's), a global provider of engineered tubular services to the oil and gas industry, following which he served as a special advisor to Frank's until his retirement in December 2016. He has also served as a member of Frank's Supervisory Board since November 2013, and is expected to continue such service until Frank's 2017 annual meeting of shareholders. From 2006 until September 2013, he served as President of Chevron North America Exploration and Production, a unit of Chevron Corporation. Mr. Luquette began his career with Chevron in 1978 and, prior to serving as President, held several other key exploration and production positions in Europe, California, Indonesia and Louisiana, including Managing Director of Chevron Upstream Europe, Vice President, Profit Center Manager, Advisor and Engineer. He has served on the board of directors for the United Way of Greater Houston and has also been a member of the American Petroleum Institute and was the former chair of its Upstream Committee. Mr. Luquette has a Bachelor of Science degree in Civil Engineering from the University of Louisiana at Lafayette.

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

Skills and Qualifications:

Energy/Oil Field Services Industry
Other Public Company Directorships
Corporate Governance
Executive Leadership
Knowledge of Core Customers
Financial Oversight
International Operations

WILLIAM H. SCHUMANN, III

Director Since 2012

Committee Assignments:

Audit Committee (Chair)

Governance Committee

Current Public Company Directorships:

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

Tesoro Corporation (since 2016) Governance and Audit Committees

Former Public Company Directorships:

AMCOL International Corporation (2012-2014)
URS Corporation
(March 2014-October 2014)
UAP Holding Corp. (2005-2008)

Skills and Qualifications:

Energy Industry
Other Public Company Directorships
Corporate Governance
Financial Oversight
Executive Leadership
Knowledge of Core Customers
International Operations

From 2005 until his retirement in August 2012, Mr. Schumann, 66, served as Executive Vice President of FMC Technologies, Inc. (FMC), a global provider of technology solutions for the energy industry. During his 31 year career at FMC, and its predecessor, FMC Corporation, he also served in the following positions: Chief Financial Officer of FMC Technologies from 2001 until 2011; Chief Financial Officer of FMC Corporation from 1999 until 2001; Vice President, Corporate Development from 1998 to 1999; Vice President and General Manager, Agricultural Products Group from 1995 to 1998; Regional Director, North America Operations, Agricultural Products Group from 1993 to 1995; Executive Director of Corporate Development from 1991 to 1993, and other various management positions from the time he joined FMC in 1981. He also has served as the Chairman of the Board of Avnet, Inc., an industrial distributor of electronic components and products, since February 2010, and as a director of Tesoro Corporation, an independent refiner and marketer of petroleum products, since November 2016. Mr. Schumann has a Bachelor of Science degree in Systems Engineering from the University of California, Los Angeles, and a Master of Science degree in Management Science from University of Southern California Marshall Graduate School of Business.

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

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Table of Contents**MARY L. SHAFER-MALICKI****Director Since 2011****Committee Assignments:**

Compensation Committee (Chair)
Governance Committee

Current Public Company Directorships:

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

From July 2007 until her retirement in March 2009, Ms. Shafer-Malicki, 56, was Senior Vice President and Chief Executive Officer of BP Angola, a subsidiary of BP p.l.c. (BP), an oil and natural gas exploration, production, refining and marketing company. Previously, she held several other executive leadership positions during her 25 year career with BP p.l.c. and Amoco Corp. (which was acquired by BP in 1998), including Chief Operating Officer of BP Angola from January 2005 to June 2007, Director General of BP Vietnam, from 2003 to 2004, and various other international engineering and managerial positions. In addition to working with a number of non-profit organizations, Ms. Shafer-Malicki has also served as a director of John Wood Group PLC, a leading independent services provider for the oil and gas and power generation markets, since June 2012, and served as a director of Ausenco Limited, an Australian company providing engineering design, project management, process controls and operations solutions to a variety of industries, from January 2011 through December 2016. Ms. Shafer-Malicki has a Bachelor of Science degree in Chemical Engineering from Oklahoma State University.

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

DAVID A. TRICE**Director Since 2009****Committee Assignments:**

Audit Committee
Compensation Committee

Current Public Company Directorships:

New Jersey Resources Corporation (since 2004) Compensation, and Nominating and Governance Committee
QEP Resources, Inc. (since 2011) Lead Director, Compensation Committee, Nominating and Governance Committee Chair

Former Public Company Directorships:

Hornbeck Offshore Services, Inc. (2002-2011)
Newfield Exploration Company (2000-2010)
Grant Prideco, Inc. (2003-2008)

Skills and Qualifications:

Energy/Oilfield Services Industry
Other Public Company Directorships
Corporate Governance
Executive Leadership
Financial Oversight
International Operations

From February 2000 until his retirement in May 2009, Mr. Trice, 69, was President and Chief Executive Officer of Newfield Exploration Company, an oil and natural gas exploration and production company, and served as chairman of its board from September 2004 to May 2010. He previously served in several other key leadership positions at Newfield, including Vice President and Chief Financial Officer, Chief Operating Officer and President, and Vice President of Finance and International. Prior to his career at Newfield, Mr. Trice served as President and Chief Executive Officer of Huffco Group, Inc., from 1991 to May 1997. He began his career in 1973 as an attorney. Mr. Trice has also served as a director of New Jersey Resources Corporation, an energy company providing retail and wholesale services across the United States and Canada, since 2004, and as a director of QEP Resources, Inc., an energy company specialized in natural gas and oil exploration, since 2011. Mr. Trice has an Accounting and Management Services Degree from Duke University and a Juris Doctorate from Columbia University School of Law.

The Board of Directors is nominating Mr. Trice in consideration of his significant experience gained from serving in executive leadership and board positions at public companies within the oil and gas exploration and production business. With his extensive knowledge in the areas of accounting,

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auditing and financial reporting and his legal background, Mr. Trice offers the Board valuable insight on risk oversight, financial policy, executive compensation and corporate governance matters. Based on his knowledge and experience, he qualifies as an audit committee financial expert.

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Summary of Director Nominees Qualifications and Experience

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

Experience/Skill

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

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

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

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

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

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

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