

**McDERMOTT INTERNATIONAL, INC.**  
**AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**  
**CHARTER**

**Preamble**

The Audit Committee of the Board of Directors of McDermott International, Inc. (hereinafter sometimes the “Company” or “McDermott”) adopts this charter.

**I. Purpose**

The primary function of the Audit Committee (the “Committee”) is to assist the Board of Directors (the Board) in fulfilling its oversight responsibilities with respect to financial reports and other financial information provided by the Company to its shareholders and others by carrying out the following duties:

- Serve as an independent and objective party to monitor the Company’s financial reporting process and internal control system.
- Oversee the integrity of the financial statements of the Company.
- Monitor the compliance by the Company with legal and regulatory financial requirements.
- Evaluate the independence, qualifications and performance of the Company’s independent auditors.
- Oversee the performance of the Company’s internal audit function.
- Oversee certain aspects of the Company’s Compliance and Ethics Program relating to financial matters, books and records and accounting and as required by applicable statutes, rules and regulations.
- Provide an open avenue of communication among the Company’s outside auditors, financial and senior management, the internal audit department and the Board.
- Comply with the applicable reporting requirements established by the Securities and Exchange Commission (the “SEC”).

**II. Committee Composition**

The Committee will be composed of not less than three members of the Board. All members of the Committee shall have a working familiarity with basic finance and accounting practices, and at least one member shall meet the qualifications of an “audit committee financial expert,” as defined in Item 401(h) of Regulation S-K promulgated by the SEC.

Each member of the Committee shall meet the independence requirements of Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the Corporate Governance Rules of the New York Stock Exchange (NYSE), as defined in the NYSE Listed Company Manual. Accordingly, all of the members will be directors independent of management and free from any relationship that, in the opinion of the Board, would interfere with the exercise of independent judgment as a Committee member.

The members of the Committee shall be elected by the Board at each annual organizational meeting and shall serve until the Board’s next annual organizational meeting and their successors are duly elected and qualified, or

until their earlier resignation or removal. The Board shall have the authority at any time to remove one or more members of the Committee. The Chairman shall be elected by the full Board. If the Board should fail to elect a chairman, or should the chairman be absent or unavailable, the members of the Committee may designate a chair by majority vote of the full Committee membership. No member of the Audit Committee may serve as a member of in excess of two other public company audit committees.

The Committee shall have the authority to engage independent counsel or other advisors, as it determines necessary to carry out its duties.

The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to the Company's outside auditors for the purpose of preparing or issuing an audit report or performing any other services for the Company, compensation to any advisors employed by the Committee, and administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

### **III. Meetings**

The Committee shall meet at least four times annually or more frequently as circumstances dictate. A detailed written agenda shall be prepared by or under supervision of the Chair of the Committee and distributed in advance.

The Committee shall meet periodically with management, those responsible for the internal audit function and the outside auditors, in separate executive sessions, to discuss any matters that the Committee or any of these individuals or groups believe should be discussed privately. The Committee shall maintain a high degree of independence both in establishing its agenda and directly accessing various members of McDermott and subsidiary management.

The Committee will maintain written minutes of all its meetings, which will be available to every member of the Board.

### **IV. Responsibilities and Duties**

The Committee's principal responsibility is one of oversight. The Company's management is responsible for preparing the Company's financial statements and the outside auditors are responsible for auditing and reviewing those financial statements. Additionally, the Committee recognizes that financial management (including the internal audit staff), as well as the outside auditors, have more knowledge and more detailed information about the Company than do the members of the Committee; consequently, in carrying out its oversight responsibilities the Committee is not providing any expert or special assurance as to the Company's financial statements or any professional certification as to the independent accountants' work.

Pursuant to the Sarbanes-Oxley Act of 2002 and the rules and regulations of the SEC, the Committee shall be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company (any such firm is referred to in this charter as the Company's outside auditors). 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, and shall have all the power and authority required under the Sarbanes-Oxley Act of 2002.

The outside auditors of the Company are ultimately accountable to the Committee and the Board, as opposed to management of the Company. The Committee shall have the sole authority to appoint and, where appropriate, replace the Company's outside auditors and to approve all audit engagement fees and terms. The Committee shall be directly responsible for the compensation and oversight of the work of the Company's outside auditors (including resolution of disagreements between management and the outside auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or related work or performing any other services for the Company. The Company's outside auditors shall report directly to the Committee.

The Committee shall preapprove all audit, review or attest engagements and permissible non-audit services to be performed by the Company's outside auditors, subject to, and in compliance with, the *de minimis* exception for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act and the applicable rules and regulations of the SEC.

The Committee may form and delegate authority to subcommittees consisting of one or more members when the Committee deems it appropriate to do so, including the authority to grant preapprovals of audit and other permissible services. The Committee also may delegate such preapproval authority to any of its members. Any decisions of such subcommittees or members to grant preapprovals shall be reported to the full Committee at the next meeting of the Committee.

The following functions shall be the common recurring activities of the Committee in carrying out its oversight responsibility. These functions are set forth as a guide with the understanding that the Committee may diverge from this guide as appropriate given the circumstances.

### **Disclosure and Reporting**

1. The Committee will prepare a report for inclusion in the Company's annual proxy statement, with the names of all Committee members, stating whether the Committee:

(1) reviewed and discussed the audited financial statements with management;

(2) discussed with the outside auditors matters requiring discussions by the Statement on Audit Standards (SAS) No. 61, *Communication with Audit Committees*;

(3) received the written disclosures and letter from the outside auditors required by Independence Standards Board No. 1, and discussed with the outside auditors their independence; and

(4) based on that review and discussion, recommended to the full Board that the audited financial statements be included in McDermott's Annual Report on Form 10-K.

2. Ensure that McDermott provides the NYSE with applicable written confirmations, including but not limited to any confirmations regarding:

(1) any determination the Board has made regarding the independence of directors;

(2) financial literacy of Committee members;

(3) the determination that at least one of the Committee members has accounting or related financial management expertise; and

(4) the annual review and reassessment of the adequacy of the Committee charter.

### **Documents/ Reports Review**

3. Review and discuss with management and the Company's outside auditors the annual audited financial statements, and the related footnotes and disclosures, as well as specific disclosures made in management's discussion and analysis of financial condition and results of operations in the Company's Annual Report on Form 10-K.

4. Review and discuss with management and the Company's outside auditors the Company's quarterly financial statements, and the related footnotes and disclosures, as well as specific disclosures made in management's discussion and analysis of financial condition and results of operations prior to the filing of the Company's Quarterly Reports on Form 10-Q, including any matters provided in Statement on Auditing Standards No. 100 arising in connection with the Company's quarterly financial statements.

5. Review and discuss with management and the Company's outside auditors:

- Major issues regarding accounting principles and financial statement presentations, including any significant changes in the selection or application of accounting principles, any major issues concerning the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies.
- Analyses prepared by management and/or the Company's outside auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including analyses of the effects of alternative methods of generally accepted accounting principles on the financial statements.

6. Review with management the Company's earnings press releases, with particular emphasis on the use of any "non-GAAP financial measures," as well as financial information and earnings guidance provided to analysts and rating agencies. Such discussion may be done generally (covering, for example, the types of information to be disclosed and the type of presentation to be made).

7. Review with management and the Company's outside auditors the effect of regulatory and accounting initiatives, as well as any off-balance sheet structures on the Company's financial statements.

8. Meet periodically with management to review the Company's major financial risk exposures and the steps management has taken to monitor and control those exposures; and discuss the Company's policies and guidelines concerning risk assessment and risk management.

9. Review significant internal audit reports and management's responses with those responsible for the internal audit function.

10. The Committee will review and discuss a report from the Company's outside auditors that contains all "critical policies and practices to be used all alternative treatments of financial information within (GAAP) that have been discussed with management ramifications of the use of such alternative disclosures and treatments, and the treatment preferred other material written communications between the firm and management" by the firm.

11. Have oversight responsibility for certain aspects of the Company's Compliance and Ethics Program relating to financial matters, books and records, and accounting and as required by applicable statutes, rules and regulations.

12. At least annually, obtain and review a report by the company's outside auditors describing (i) the outside auditors' internal quality-control procedures; (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the outside auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (iii) all relationships between the outside auditors and the Company as contemplated by Independence Standards Board Standard No. 1. Evaluate the Company's outside auditors' qualifications, performance and independence, including considering whether the outside auditors' quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the outside auditors' independence. In making this evaluation, the Committee shall take into account the opinions of management and internal auditors. The Committee shall present its conclusions with respect to the Company's outside auditors to the full Board.

### **Outside Auditors**

13. Advise the Board each year of the Committee's appointment of a firm of independent certified public accountants to serve as McDermott's principal independent auditors. The Committee will not appoint or otherwise approve a registered public accounting firm to perform an audit if the company's Chief Executive Officer, Chief Financial Officer, Chief Administrative Officer, Controller (or equivalent) was employed by the audit firm and participated in the Company's audit during the one-year period preceding the date of initiation of the current audit. Notwithstanding the power and authority of the Committee with respect to the appointment, compensation, retention and oversight of the Company's principal independent auditors, the Committee, in its discretion, may submit any such matter, along with its recommendation with respect thereto, to the full Board for consideration, approval and ratification.

14. On an annual basis, after completion of the annual audit of the Company's consolidated financial statement included in the Annual Report on Form 10-K and prior to its filing, review with outside auditors any significant changes required in the examination plan; any serious difficulties or disputes with management encountered during the course of the audit; and other matters related to the conduct of the audit which are to be communicated to the Audit Committee under Generally Accepted Auditing Standards (GAAS), including but not limited to discussions relating to the outside auditors' judgment about such matters as the quality, not just the acceptability, of the Company's accounting practices and other items set forth in SAS 61. On an annual basis, obtain from the Company's outside auditors assurance that Section 10A(b) of the Exchange Act has not been implicated with respect to the Company's most recently completed fiscal year.

15. Annually approve the fees and other compensation to be paid to the outside auditor.

16. Require a formal written statement from the outside auditor consistent with Independence Standards Board

Standard No. 1. The Committee is responsible for oversight of auditor independence and shall discuss annually with the outside auditor any relationships or services that may impact the auditor's independence, and take, or recommend to the full Board, actions to ensure that independence.

17. Discuss with the outside auditor the auditor's judgment about the quality of McDermott's accounting principles and the underlying estimates as required by SAS No. 90, *Audit Committee Communications*.

18. Require that the outside auditor communicates to the Committee (or be satisfied that management has communicated) with regard to their quarterly reviews any matters of the types described in SAS No. 61.

19. Review the capabilities and performance of the lead and engagement partner of the Company's outside auditors.

20. Confirm the regular rotation of the audit partners as required by applicable law. Consider whether there should be regular rotation of the outside auditing firm.

21. Review with the Company's outside auditors any communication or consultation between the Company's audit team and the outside auditors' national office respecting auditing or accounting issues presented by the engagement.

22. Establish hiring policies for the Company's employment of the Company's outside auditors' personnel or former personnel, which may take into account whether a proposed employee participated in any capacity in the audit of the Company.

23. Meet with the Company's outside auditors prior to the audit to review the planning and staffing of the audit.

#### **Internal Audit Function**

24. The Committee shall review and approve the appointment, replacement, reassignment or dismissal of those responsible for the internal audit function.

25. Annually review and approve the internal audit plan and discuss any significant subsequent changes in the scope of the audit plan.

26. Review the results of the internal audit process with management and those responsible for the internal audit function, including significant findings, management's responses thereto, and the status of corrective actions or implementation of recommendations.

27. Evaluate the budget, activities, organizational structure, and qualifications of the internal audit department.

#### **Ethical and Legal Compliance**

28. Review the disclosures that the Company's Chief Executive Officer and Chief Financial Officer make to the Committee and the Company's outside auditors in connection with the certification process for the Company's Reports on Form 10-K and Form 10-Q concerning any significant deficiencies or weaknesses in the design or operation of internal control over financial reporting and any fraud that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

29. Obtain reports from management, those responsible for the internal audit function and the Company's outside auditors that the Company's subsidiary/ foreign affiliated entities are in conformity with applicable legal requirements and the Company's Code of Business Conduct.

30. Review with McDermott's General Counsel any legal matter that could have a significant impact on the financial statements, the Company's relevant compliance policies and any material reports or inquiries received from regulators or governmental agencies.

31. Review management's monitoring of compliance with McDermott's Code of Business Conduct, and ensure that management has the proper review system in place to ensure that McDermott's financial statements, reports and other financial information disseminated to the public satisfy legal requirements.

32. The Committee shall establish procedures for the receipt, retention, and treatment of complaints received by

the Company regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

33. Committee members are prohibited from taking any action to fraudulently influence, coerce, manipulate, or mislead any auditor engaged in the performance of an audit for the purpose of rendering the financial statements materially misleading.

#### **Other**

34. In addition to the activities described above, the Committee will perform such other functions the Committee or the Board deems necessary or appropriate under law; the Company's articles of incorporation, by-laws and governing documents; and the resolutions and other directives of the Board of Directors. The duties and responsibilities of a member of the Committee are in addition to those duties generally pertaining to a member of the Board of Directors.

35. The Committee shall have the authority to engage independent counsel or other advisors, as it determines necessary to carry out its duties.

36. Review annually the Committee's own performance.

37. Make regular reports to the Board.

38. The Committee will review this charter periodically, as conditions dictate, but at least annually, and update this charter if necessary or appropriate.