

Effective January 25, 2006

McDERMOTT INTERNATIONAL, INC.

Compensation Committee Charter

Purpose

The Compensation Committee (the “Committee”), in its capacity as a committee of the Board of Directors (the “Board”) of McDermott International, Inc. (including its subsidiaries, the “Company”), has overall responsibility for evaluating officer and director compensation plans, policies and programs and the employee benefit programs of the Company and approving such and/or recommending such for approval by the Board. In addition, the Committee shall review and report to the Board on programs and plans for management development and succession.

The Committee is also responsible for producing an annual report on executive compensation for inclusion in the Company’s proxy statements for its annual meetings of shareholders in accordance with applicable rules and regulations of the Securities and Exchange Commission (the “SEC”).

Committee Membership

The Compensation Committee shall consist of no fewer than three members, each of whom shall meet the independence requirements of the New York Stock Exchange and are qualified to discharge the Committee’s responsibilities.

The members of the Compensation Committee shall be appointed annually by the Board (and may be removed by the Board) on the recommendation of the Governance Committee. The Chairman of the Committee shall be designated by the Board.

Oversight Areas

- Compensation strategy.
- Compensation policies and programs.
- Compensation levels for the Company’s Chief Executive Officer (“CEO”), other executive officers, and management personnel.
- Succession planning.
- Management development.
- Compensation and employee benefit plans.
- Periodic review of the performance of the Company’s pension plans (qualified and non-qualified).
- Administration of stock bonus plans, stock option plans, non-employee director stock plans, and other executive and director compensation arrangements.
- Retention of compensation consultants and/or outside counsel to advise the Committee on compensation-related matters.

Agenda Items

The activities of the Compensation Committee shall be developed from year to year by the Committee in consultation with management. The Compensation Committee should meet at least three times a year, and review the following issues at such meeting(s) as determined by the Committee in its discretion:

- Long-term incentive compensation.
- Restricted stock plan awards.
- Base salaries (executive officers).
- Grants of stock options.
- Top management bonuses.
- Key employee compensation awards.
- All-employee bonus.
- Policies and processes for development of employees.
- Progress in compliance with labor laws.
- Management resources available versus current needs.
- Projected resources versus future needs.

Approve as

Needed:

- Changes in benefit plans.

- Changes in appointments, compensation plans, or merit increases.

Committee Authority and Responsibilities

1. The Compensation Committee shall review the overall compensation structure of the Company to determine that it establishes appropriate incentives for officer employees at all levels. All incentives, while industry-dependent and different for different categories of officers, should further the Company's long-term strategic plan and the overall goal of enhancing enduring shareholder value.
2. The Compensation Committee shall review, approve and oversee all employee benefit and related programs adopted by the Company.
3. The Compensation Committee shall annually review and approve corporate goals and objectives relevant to CEO compensation, evaluate the CEO's performance in light of those goals and objectives, and set the CEO's compensation levels based on this evaluation. In determining the long-term incentive component of CEO compensation, the Compensation Committee will consider the Company's performance and relative shareholder return, the value of similar incentive awards to CEOs at comparable companies, and the awards given to the Company's CEO in past years.
4. The Compensation Committee shall annually review and approve and/or make recommendations to the Board with respect to the compensation of

the Company's elected officers (other than the CEO and the CEO's direct reports).

5. The Compensation Committee shall periodically review and make recommendations to the Board with respect to amendments to and adoption of Company incentive-compensation plans and equity-based plans.
6. The Compensation Committee shall, for the CEO and the Company's officers who report directly to the CEO, annually review and approve and/or make recommendations to the Board with respect to (a) the annual base salary level, (b) the annual incentive opportunity level, (c) the long-term opportunity level, (d) employment agreements, severance arrangements, and change in control agreements/provisions, in each case as, when and if appropriate, and (e) any special or supplemental benefits. The Compensation Committee shall confer with the Governance Committee with respect to the CEO review and evaluation, regarding factors relating to compensation.
7. The Compensation Committee shall review and assess the management succession plan for the CEO position and other members of executive management and annually review with the Board.
8. The Compensation Committee shall have the sole authority to retain and terminate any compensation consultant to be used to assist the Committee in the discharge of its responsibilities and shall have sole authority to approve the consultant's fees and other retention terms. The Compensation Committee shall have the authority to engage independent or outside counsel, accountants or other advisors, in each case of its choice and as it determines to be necessary or appropriate.
9. The Compensation Committee may form and delegate authority to subcommittees when the Compensation Committee determines it appropriate to do so.
10. The Compensation Committee shall make regular reports to the Board.
11. The Compensation Committee shall produce a report on executive compensation as required by the SEC to be included in the proxy statement for each annual meeting of the Company's shareholders.
12. The Compensation Committee shall annually evaluate its own performance and report such assessment to the Board and/or the Governance Committee.
13. The Compensation Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.