

McKESSON

FY17 McKesson Corporate Social Responsibility Report



Letter from John Hammergren

For more than 180 years, McKesson has helped our customers thrive so they can help their patients achieve better health. And while we are very proud of our history, we could not be more excited about the promise of our future.

We play a critical role in healthcare, earning the privilege of partnering with our customers as they strive to provide higher quality and more affordable patient care. As a company, we continue to invest resources to help our customers be more successful and to make McKesson a place where employees can grow their careers over the long term.

The fiscal year that ended March 31, 2017 (FY17) was a significant one for our company. In March, we marked the completion of our previously announced agreement with Change Healthcare Holdings, Inc. to create a new healthcare information technology company, Change Healthcare. The new company includes the majority of the former McKesson Technology Solutions (MTS) businesses. At the same time, we continued to grow our businesses and completed our Las Colinas campus in Irving, Texas, with capacity for 2,500 employees.

We continued to support cancer patients through our McKesson Foundation programs, as well as through our businesses. In FY17, more than 19,500 employees in 180 locations volunteered to create cancer care packages, which we delivered to more than 270 non-profits across North America through our foundation's Giving Comfort program. Through our McKesson Marrow Drive, we have added more than 2,800 new prospective donors to the international registry, and we saw the first successful marrow transplant resulting from the drive.

McKesson's wellness program continues to achieve substantial benefits for both individual employees and the company. More than 10,000 employees have achieved our wellness program's platinum or gold status by participating in health screenings and by logging their physical activities. In spring 2016, our McKesson in Motion charity

step challenge drew more than 14,000 employees. The McKesson Foundation made a donation on behalf of each participant, and employees competed as teams for additional grants. Together, our employees raised \$200,000 for cancer non-profits and logged more than 3.8 billion steps.

Across our company, we look for ways to reduce carbon emissions associated with travel, facilities and our transportation fleets. In FY17, we achieved Leadership in Energy and Environmental Design (LEED) certification for our new Las Colinas campus and our One Post headquarters in San Francisco. We also continued to see a drop in short- and medium-length flights through increased adoption of virtual meetings.

McKesson's culture is grounded in our shared ICARE (integrity, customer-first, accountability, respect and excellence) and ILEAD (inspire, leverage, execute, advance and develop) principles. These values guide all that we do and help advance our company across every dimension, creating maximum value for our customers and making McKesson a great place to work for our associates.

On behalf of the McKesson team, I invite you to explore this year's report. Together, we are making a difference for our employees, communities, and the planet – and for the millions of patients who rely on McKesson for access to the medicines, supplies and technologies that make better health possible for their families and loved ones.

John H. Hammergren
Chairman, President and Chief Executive Officer
McKesson Corporation

Executive Summary

At McKesson, corporate social responsibility is embodied in the actions our employees take, every hour of the day, every day of the year. Across geographies, roles and business units, we are united by our shared purpose: delivering better health for our customers, our employees and our communities.

Our Employees

From offering comprehensive health assessments and incentives for healthy behaviors, to offering continuing education and opportunities to build meaningful careers, we promote well-being and an inclusive work environment for our employees.

- **A culture of health and wellness.** We offer comprehensive health benefits and assessments, online benefits and wellness resources, and support for healthy lifestyles, expanding in FY17 to include our expanded U.S. parental leave policy.
- **Opportunities for continuous learning.** Our North American employees completed nearly 530,000 training hours through the McKesson Center for Learning, and our educational assistance program provided \$2.75 million to employees pursuing higher education.
- **A safe work environment to support our employees and customers.** As the leading distributor of pharmaceuticals in the U.S., Canada and Europe, we prioritize product safety — and incorporate proven health and safety principles into all phases of our operations.
- **Building a diverse and inclusive company.** Our U.S. Diversity Blueprint Strategy focuses on increasing engagement and retention of people of color, women, veterans and people with disabilities, and is complemented by our network of employee resource groups. Self-identification and leadership development programs help promote inclusive workplaces.

Employee Volunteering and Philanthropy

We build healthier communities. In FY17, McKesson contributed \$2.6 million to a variety of non-profit organizations and invested an additional \$5.1 million in our Foundation.

- **Supporting cancer patients.** Our volunteer programs are aligned with the Foundation's priority funding area of cancer services. In FY17, 19,765 employees at 180 locations across the U.S. and Canada helped build care packages for patients during our Community Days program, and more than 14,000 employees joined our McKesson in Motion charity step challenge, walking 3.8 billion steps and earning \$200,000 in grants for cancer charities.
- **Helping meet the need for diverse marrow donors.** We continued our company marrow drive, which added 2,800 donors to the international registry as of the end of FY17. We saw three matches and a successful marrow transplant during the fiscal year.
- **Supporting the causes that matter to our employees.** Employees in the U.S. and Canada earn grants for volunteering, and our McKesson Community Heroes program honors exceptional volunteers in Canada, Europe and the U.S. with additional grants

to the charities of their choice. We also proudly support our Taking Care of Our Own relief fund and our scholarship program for the children of employees.

Environmental Sustainability

Healthier communities thrive in a healthier environment. We are sharpening our focus on environmental sustainability and tracking our emissions companywide, achieved through reportable metrics like building optimization and fleet fuel efficiency.

- **Reducing carbon emissions.** Across McKesson, we've adopted an array of emissions reduction strategies, from fleet optimization to LED lighting, production efficiency and material reduction. In FY17, we also expanded our emissions reporting to include 12 European countries.
- **Seeking building certifications for sustainability.** We achieved LEED Platinum status for two additional buildings: our One Post headquarters in San Francisco and our new campus in Las Colinas, Texas. In Germany, the Stuttgart headquarters of our Celesio business was recognized by the German Sustainable Building Council.
- **Choosing wisely about business travel.** To mitigate the environmental impact of travel, we encourage teleconferencing, videoconferencing and online trainings.

Corporate Governance and Business Ethics

Our work is driven by our shared principles, known as ICARE — *integrity, customer first, accountability, respect and excellence*. These principles unite our employees worldwide and shape our culture.

- **Compliance and integrity.** To uphold our high standards of business conduct and maintain our culture of integrity, we follow our [Code of Conduct](#), translated into 17 languages, and we have integrated our Compliance and Ethics program across McKesson's business units.
- **Constructive solutions to public policy issues.** We offer healthcare policy solutions and educate policymakers on areas such as supply chain security. To address the dangerous and growing opioid epidemic, we advocated for a comprehensive set of policy and business solutions to slow the abuse and diversion of opioids, detailed in our policy paper, "[Combatting the Opioid Abuse Epidemic](#)."
- **Supplier diversity.** We are honored to contribute to our communities through our supplier diversity program. The past five years have seen a 91% increase in the number of our minority suppliers.
- **Corporate governance.** Our commitment to sound and effective governance dates to our founding. Our Board of Directors diligently exercises its oversight responsibilities, consistent with standards of business ethics and the requirements of federal law and the New York Stock Exchange. McKesson's corporate social responsibility practices, including environment sustainability, are reviewed by our Board of Directors on a periodic basis.

We invite you to explore the following FY17 Corporate Social Responsibility report to learn more. For questions, please contact [McKesson Corporate Citizenship](#).

Our Employees

Our vision for a healthier world begins with patients and extends to our employees. We know that when our employees are healthy, not only do they enjoy their own lives more but they help create healthier communities, a healthier environment and a healthier company. It's more than just competitive medical benefits. We believe that a rich culture of health — including preventive health — is the key to fully contributing, healthier employees. This belief also extends to ensuring we have diverse, inclusive and safe workplaces. From offering comprehensive health assessments and providing incentives for healthy behaviors, to offering continuing education and providing opportunities to build meaningful careers, we promote mental, physical and social well-being for all of our employees and their families.

Better Health for Our Employees

McKesson is in the business of better health, and that starts with our workforce. Together, we create a culture focused on health, with a Total Rewards package that advances the physical, mental, financial and social well-being of our employees and their families. We focus on engaging all of our employees, starting with each individual employee and extending to our Executive Committee and CEO.

The features of our Total Rewards package for McKesson U.S. employees and their families include:

Health Assessments

- Health risk, mental well-being and physical activity assessments
- Biometric screenings available on-site or through laboratories in the community

Web-based Resources

- A single online hub for healthcare benefits and a wellness portal (online and mobile access)

Lifestyle Programs

- Employee assistance program: telephonic and face-to-face counseling, legal and financial consultations and work/life assistance for child and elder care
- On-site fitness centers, gym rebates and discounts and a free Fitbit Zip™ for every employee
- Free Weight Watchers® membership and weight-loss rebate
- Discounts on healthy food purchases at grocery stores
- Free annual flu vaccine for employees and their dependents\
- Free smoking cessation program

Employee Engagement Programs

- Site-specific wellness events and activities supported through a robust network of McKesson Wellness Champions
- Ongoing wellness competitions and challenges
- Wellness events integrated with corporate social responsibility programs
- Incentive structure that rewards employees for healthy behaviors and outcomes
- Ongoing communications through a variety of channels, including social media

Other components of the Total Rewards package include dental and vision coverage; disability, life and accident insurance; and participation in flexible spending accounts or health savings accounts.

Vitality Wellness Program

Vitality is a corporate wellness program that helps employees set and achieve their wellness goals. Whether employees are already physically active or looking for opportunities to become more active, the Vitality wellness program provides an avenue for employees to create their own personal paths to better health.

When employees engage in qualifying activities, not only do they improve their health but they also earn Vitality Points™ that can be redeemed for rewards such as fitness devices and gift cards. Vitality Points also drive an employee's Vitality Status. The higher the Vitality Status, the greater the savings employees receive on their McKesson medical plan.

Parental Leave

McKesson's parental leave policy for all full-time U.S. employees now covers partners of both sexes in all states and includes birth parents, same-sex couples and adoptive parents. It provides the primary caregiver six weeks of 100% paid leave and the secondary caregiver two weeks of 100% paid leave. New mothers also receive six weeks of disability (maternity) leave for vaginal birth and eight weeks of disability leave for cesarean section. In Canada, McKesson supports new parents through a supplementary maternity benefit plan that is part of McKesson Canada's employee benefits offering.

Feature Story: Good News for Expectant Parents

McKesson's OWN IT employee resource group works to make McKesson an employer of choice for women. OWN IT was also instrumental in advocating for McKesson's expanded parental leave policy, which went into effect in FY17.

Julia Hammac, vice president, Health Mart Strategy, and one of several OWN IT board members involved in the project, explains, "I was asked to lead a benchmarking study on whether McKesson is a great place for women to work. The study showed employers across industries are rapidly improving parental policies. We conducted an OWN IT survey and found parental leave is a top issue for our members."

OWN IT board members and sponsors across business units played key roles in the effort. Gerri Burrue, vice president, Benefits, provided data needed to estimate costs and championed the initiative, which gained strong executive support.

"Paid parental leave goes a long way toward helping us attract and retain top talent," says Gerri.

As a new mother, Julia says she found the policy change was particularly meaningful. "This new policy is a visible signal to me that McKesson is truly a family-friendly company that supports employees through important transitions."

Health and Wellness in Canada

The health promotion program in Canada is designed to improve the health of our employees and their families. Using a holistic and integrated approach, our corporate wellness program focuses on physical, mental and financial health. The program is built on four tenets: promoting preventive care, encouraging executives to lead by example, empowering employees to manage their health, and holding employees accountable for improving their health.

McKesson Canada offers the following to all benefit-eligible employees:

Annual Health Review

- The employee health review combines an online medical and mental health questionnaire with biometric measurements and a blood draw

Flu Vaccination

- Free annual flu vaccines are provided at the workplace or reimbursed if received elsewhere

Employee Assistance Program

- Available 24/7, the EAP offers counseling, health coaching and nutrition services, as well as various types of consultation

Interactive Wellness Program and Quarterly Challenges

- Site-specific health events are supported through a robust network of employee Wellness Champions
- Sprout wellness portal allows employees to track fitness and wellness activities
- Health challenges provide opportunities to win prizes

Fitness Club Discounts

- Employees can take advantage of savings at leading fitness chains in Canada

All people managers are required to complete a mandatory 3-hour mental health training within their first year with McKesson, as well as an additional 2.5-hour training in the following year. The purpose of this training is to help our people managers:

- Understand and recognize mental health issues, maintain contact during the disability period and prepare for work reintegration
- Learn about best practices to improve presence and quality of work, manage work attendance and develop personalized action plans for employees

Creating Opportunities for Employee Success

McKesson seeks opportunities to create excitement among our employees about their careers. We invest heavily in employee growth and development through rewarding job assignments, one-on-one development with managers and opportunities for continued learning.

During FY17, we hired more than 6,200 employees in the U.S. and Canada. More than half of our employees in the U.S. and Canada have been with the company five years or longer.

Performance Management

Our performance management process serves as a structure to aid employee-supervisor collaboration while rewarding strong performance. In FY17, 91% of our North America associates received a year-end performance evaluation. The goals of this performance management process are to:

- Create consistency across the business for managing, measuring and developing individual performance
- Align individual objectives and expectations with business goals
- Measure employees' achievements and document how they attained them
- Foster employee development and coaching by encouraging communication between managers and employees
- Differentiate rewards based upon performance results and competencies
- Recognize the relative contribution of individuals

McKesson also considers compensation to be a vital tool for communicating performance expectations, improving productivity and rewarding employees for their contributions to the company's success. Whatever their title or role, each employee is a catalyst in a chain of events that helps improve the healthcare of millions all over the globe. That is why we believe it is important to recognize and reward strong individual and team contributions that help drive innovation and solutions that promote better health for all. We believe that our Total Rewards package helps to attract, retain and motivate a high-performance workforce, gives employees the opportunity to share in ownership of the company, and remains flexible enough to meet the different needs of our diverse population.

We expect senior leaders to be proactive in recruiting and retaining diverse teams. As an incentive, McKesson has tied diversity goals to the compensation of our leaders.

Feature Story: How I Earned My Promotion

"My lack of a college degree was a dark cloud hanging over my head my entire adult life," says Rochelle Havens.

She joined McKesson Specialty Health as a customer service representative in La Vergne, Tennessee, and was soon promoted to account manager. She was named "Inside Sales Rep of the Year" in 2014, but knew a college degree would help her advance into the management positions she might seek at McKesson.

McKesson's Educational Assistance Program gave her the extra push she needed to go back to school for her bachelor's degree. She started taking online classes at Kaplan University in July 2015, and she is on track to graduate in October 2018. She receives a discount on tuition from Kaplan, and McKesson also contributes \$5,250/year toward her tuition cost.

Best of all, going back to school already helped her earn the big promotion of her dreams. In July 2016, she was promoted to an account executive role.

"A bachelor's degree is preferred for the job, but because I had so much knowledge of our business and was working toward my degree, they offered me the position."

Continuing Learning

McKesson complements our performance management process with learning opportunities offered by the McKesson Center for Learning (MCL), an internal corporate training and employee development group. In a typical year, MCL offers approximately 750 instructor-led classes to help employees keep their skills current, expand their knowledge and prepare for the next step in their careers.

In FY17, McKesson employees in the U.S. and Canada completed 529,824 hours of management, professional development, technical and other employee training. Since not all employees are able to attend MCL classes in person, employees may also take advantage of live training via WebEx and Telepresence technology, as well as a wide array of on-demand online training resources. MCL will introduce learning solutions to our Celesio business in FY18, beginning with Italy, Norway and Slovenia.

Educational Assistance Program

Our educational assistance program provides financial assistance to employees who take advantage of external higher education opportunities to enhance internal career growth. McKesson provides up to \$5,250 annually in tuition assistance for full-time employees in the U.S., with no lifetime maximum. A similar educational assistance program is available in Canada.

In FY17, McKesson disbursed \$2.75 million toward tuition assistance for 589 employees who participated in this benefit. In addition, we offer employees and their immediate family members discounted tuition costs and reduced time to degree completion through McKesson's partnership with Kaplan University.

A Safe, Secure and Healthy Work Environment

At McKesson, we place the utmost importance on safety and security for employees and customers alike. Our employees and management ensure our work environments are safe and the products we deliver to our customers are secure. Since McKesson is a leading distributor of pharmaceuticals in the U.S., Canada and Europe, product integrity is a priority for our company.

We believe that it is responsible, sound and efficient management to incorporate proven health and safety principles into all phases of our operations, and we emphasize these as integral components of prudent business practice. We also understand that the responsibility for workplace health and safety must extend to all workplace parties. Our Corporate Security and Safety Department continually assesses our operational environment to identify potential threats. This continual and in-depth assessment allows us to implement appropriate protective measures to prevent and mitigate identified risks. We employ industry-leading security and safety procedures and equipment in the areas of physical and electronic security.

A formal security and safety assessment program ensures our facilities perform operations in accordance with established security and safety standards. We routinely assess all of our key facilities to assist facility leaders with identifying vulnerabilities in their security/safety programs. A report documents each assessment, and each facility prepares action plans to proactively address all findings promptly.

Standards and procedures are in place to help ensure our facilities take steps to proactively address risks and prevent injuries. We prepare a leader Safety Indicator Dashboard monthly to measure conformance to these standards. In FY17, our distribution centers achieved a 98.1% effectiveness rate in executing core injury prevention programs, including joint health and safety committees, periodic self-inspections and employee safety training. This rate is largely consistent with the previous fiscal year.

FY17 Safety and Security Highlights

During FY17, our Corporate Safety and Security team advanced a number of environmental health and safety programs:

- Implemented a security and safety information management system to improve access to data and resources and provide greater collaboration, analysis, reports, dashboards, task scheduling and tracking functionality.
- Implemented a Hazardous & Regulated Waste Management program to help all distribution centers manage waste in an efficient, cost-effective and compliant manner. Achieved 91% utilization with the preferred waste services vendor in our first year.
- Created e-learning modules and employee training curricula for the Hazardous & Regulated Waste Management program and hazardous material transportation that support effective and compliant employee certifications.
- Revamped our new employee security and safety orientation training and onboarding programs.
- Updated our Workplace Violence employee training video.
- Achieved recertification for our powered industrial truck operators to reinforce safe operating practices and meet U.S. Occupational Health and Safety Administration (OSHA) regulations.
- Administered a Security and Safety Awareness Program and National Safety Month Campaign, with more than 73,000 awareness tutorials viewed by McKesson employees.

Safety Training

Educating leaders and employees is the foundation of our security and safety programs. Training and education drive awareness and foster a "working together, protecting together" culture.

Our comprehensive safety training programs educate employees at all levels on both general and specialized safety roles and responsibilities. Through these programs, employees learn to identify and control potential hazards they may encounter in the workplace or at home. Employees receive orientation and ongoing instruction on safe work practices throughout their careers as they experience changes to their responsibilities, equipment usage or environment.

We promote security and safety within our offices and distribution centers through annual multimedia campaigns, which raise security, safety and information protection awareness, and through our Safety and Security portal. We evaluate comprehension and engagement through quizzes and employee surveys. We continually update our training. For example, in FY17, we produced or enhanced the following training modules: New Employee Safety and Security Orientation, Annual Safety Refresher, Supervisor Safety and Safe Lifting and Pre-shift Stretching. During FY17, our employees completed more than 62,000 training modules, a year-over-year improvement.

Training Modules Completed	FY16	F17
Safety Refresher Training*	18,203	21,306
New Employee Safety Orientation	6,208	7,180
Regulatory Safety Training (Hazard Communication, Lockout/Tagout, etc.)	1,743	2,543
General Safety Training	1,391	3,605
Supervisor Safety Orientation	728	843
Workplace Violence Training (U.S. only)**	4,365	26,700
Environmental Training	486	142
Total	33,124	62,319

*Assigned to a targeted set of employees, based on job role and location's accident history.

**Workplace Violence Training is assigned every other year and was due in FY17.

Reducing Workplace Injuries

To address the rate and severity of exertion-related injuries, we maintain a Safe Lifting and Pre-shift Stretching program for our distribution center employees, and we emphasize ergonomic design in workstation layouts. In offices, a workstation assessment and modification process helps identify and correct undesirable design features. A Slip, Trip and Fall Prevention campaign emphasizes general housekeeping, holding handrails on stairs and avoiding "distracted walking." Our Safety Observations Program reinforces safe work practices and addresses at-risk behavior relating to the top injury types above.

Injuries by Region in 2016

Region	Total Recordable Injury Rate	Lost Day Injury Rate
North Central	2.70	1.35
Northeast	2.70	1.26
South	1.65	0.52
West	2.17	0.86
Total	2.16	0.88

Injuries by Type in 2016

Injury Type	% of Total Recordable Injuries (Top 4)
Exertion	55.2 %
Struck By/Against	15.4%
Slip, Trip and Fall	15.2%
Cut, Puncture, Scrape, Burn	5.7 %

In Canada, workplace injuries are measured using a different methodology than in the U.S. McKesson Canada tracks the frequency rate of injuries and the injury severity index. In FY17, the frequency rate for injuries was 4.4 in Western Canada, 1.2 in Ontario, 8.2 in Quebec and 5.6 in the Atlantic Provinces. The severity index was 8.3 in Western Canada, 16.8 in Canada, 9.0 in Quebec and 16.8 in the Atlantic Provinces.

Looking ahead to FY18, Corporate Security and Safety will continue to focus on building a culture of safety, with an emphasis on caring for our people. As part of this work, we will emphasize the critical role of the supervisor and the importance of coached conversations with employees. We are also continuously evolving our Safety

Indicator Dashboard, with the objective of improving the correlation of leading indicators to actual safety performance. Working together, protecting together, we will continue to provide a safe and secure work environment for our employees and, by extension, for the customers who depend on us.

Diversity and Inclusion

We believe a diverse workforce is a fundamental building block for creativity and innovation. That's why we have designed and implemented strategies in the U.S. and Canada to ensure our workplaces are diverse and inclusive.

Diversity and Inclusion in the U.S.

McKesson's progress on diversity and inclusion in the U.S. is guided by the Diversity Blueprint Strategy we implemented in 2014. Our goals are to increase the number of people of color and women at executive and mid-management levels and veterans and people with disabilities at all levels of the workforce, and as detailed in our [FY17 U.S. Diversity and Inclusion Report](#), we have made sustained progress toward these goals.

We focus our efforts on five key drivers of diversity:

- Increased diversity on external interview slates
- Development and engagement of people of color and women
- Engagement and retention of veterans
- Increased consistency across McKesson's U.S. business in identifying people with disabilities as job candidates
- Diversity measure on our corporate scorecard focused on market parity

The Diversity Blueprint provides visibility and clear metrics, enabling our leadership to make progress on reaching market parity for key historically underrepresented populations at critical leadership levels.

The diversity of our workforce in the U.S. reflects that of the country:

Category	McKesson Workforce	U.S. Demographic Census Data (2010)
Women	53%	51%
Men	47%	49%
People of Color	35%	33%
White	65%	67%

Business Units Take the Lead on Diversity and Inclusion

In the U.S., McKesson's diversity and inclusion (D&I) efforts have shifted from a corporate-led to business unit-led model, which embeds D&I more deeply into our organization.

Our Medical-Surgical and U.S. Pharmaceutical business units and Corporate functions took the initiative to complete a Diversity Blueprint Assessment, designed to clarify and uncover key areas of opportunity in workforce representation.

- **Medical-Surgical:** Following the assessment, Medical-Surgical created a three-year strategic plan that includes a talent acquisition component focused on diversity representation and advancement goals. This new infrastructure puts more focus on developing leaders within McKesson and reducing reliance on the external talent market. Through this commitment and these efforts, Medical-Surgical achieved its FY17 D&I goals.
- **U.S. Pharmaceutical and Corporate:** McKesson's senior human resources (HR) leader for U.S. Pharmaceutical and Corporate saw an opportunity to expand the D&I conversation outside of HR and gathered a cross-functional team to serve as a Diversity and Inclusion Steering Committee (DISC). With guidance and support from the DISC, these two organizations built customized action plans for each department. They also held three diversity summits, which collectively engaged more than 140 leaders, inspiring them to feel a sense of ownership for D&I and to translate their ideas into action.

While the assessments provide important clarity on each business unit's workforce representation and goals, our D&I efforts are also accelerating due to a deep personal commitment to diversity on the part of business leaders. Through McKesson's involvement with national programs that focus on underrepresented populations — such as the Executive Leadership Council, Women in Leadership and the National Association of Asian American Professionals — leaders have personal experiences that shape their thinking and inspire their passion for diversity. Many of those leaders have volunteered to sponsor employee resource groups, voluntarily raise their own accountability for diversity goals and find new ways to drive diversity and inclusion in their businesses.

Employee Resource Groups Support Our Business and Engage Our People

Employee resource groups (ERGs) are our primary tool for employee engagement around diversity and inclusion. ERGs provide network, professional, career development and community service opportunities. Their members discover new ways to help our business and people thrive.

In FY17, the number of ERG chapters increased 28% to 37. More than 15% of U.S. employees belong to an ERG. The executive sponsors for the groups come from across McKesson's business units and corporate functions. National ERGs are centered on African-Americans and Blacks, Asian Americans and Pacific Islanders, emerging professionals, Latinos, LGBTQ and straight allies, military and veterans, and women.

We added an eighth ERG in FY17 for employees living with physical or cognitive disabilities and those who support the disability community. U.S. Department of Labor statistics show that in 2016, 17.5% people living with disabilities were employed, compared to 65% of the general population. Creating an inclusive culture supported by accessibility is important as McKesson works to grow

our number of employees with disabilities and reduce stigmas inside and outside the workplace.

ERGs have also played an important role in McKesson's real estate strategy. When our U.S. Pharmaceutical business unit decided to relocate its headquarters from San Francisco to Las Colinas, Texas, leadership worked with Talent Acquisition and D&I to develop an ambassador program. ERG members in San Francisco worked with their counterparts in Las Colinas to connect potentially relocating employees with local employees who share similar interests and represent similar communities. The goal was to ensure employees felt welcome as they visited Las Colinas to consider the move and assist those who choose to relocate.

The OWN IT ERG championed McKesson's expanded U.S. parental leave policy, which took effect in FY17. To learn more, see "Good News for Expectant Parents" earlier in this section.

To learn more about McKesson's diversity and inclusion initiatives and the progress achieved toward our goals, visit the [FY17 U.S. Diversity and Inclusion Report](#).

Diversity and Inclusion at McKesson Canada

Building a diverse and inclusive culture begins with a diverse workforce. We do this via education, engagement and communications. Over the last year, McKesson's U.S. and Canada teams have developed a strong framework to position McKesson's Diversity and Inclusion Strategy. We have identified and deployed several diversity initiatives based on McKesson Canada's needs and realities.

In addition to conducting an annual employee engagement survey to collect feedback from employees on a number of topics, including diversity and inclusion, McKesson continued our "ThisIsHow" campaign in FY17. This initiative allows us to collect and share stories from our people on our culture, diversity, values, leadership framework and community involvement. Quarterly videos inform our employees, get them engaged in our strategies, celebrate our successes and connect employees with our senior leaders.

Promoting Self-Identification Programs

Self-identification provides McKesson Canada with important benchmark data as we analyze our workforce for internal and government reporting and develop our diversity and inclusion programs.

In Canada, self-identification follows the categories used by Statistics Canada in connection with the country's Employment Equity regulations, that is, women, visible minorities, aboriginals and people with disabilities. All employees are invited to self-identify through a questionnaire available online. Our response rate rose to 87% as of March 31, 2017.

Leadership Development Programs

McKesson Canada developed and deployed a suite of leadership development programs that combine best-in-class training and individualized and group coaching offerings. The diversity of participants, the training content and 360-degree assessments help our leaders appreciate, embrace and include diverse perspectives into their own development while adopting inclusive leadership practices.

Our talent review process also focuses on our commitment to develop high potential women. McKesson Canada sponsored a cohort of McKesson women participating in 100 Days Challenge at *l'Effet A*, a movement in Quebec aimed at promoting women's ambition and grooming them to become more assertive, risk-taking and influential.

Employee Volunteering and Philanthropy

Established in 1943, the McKesson Foundation invests in programs and organizations that support the volunteer and philanthropy efforts of our employees and improve the lives of cancer patients and their families.

In FY17, McKesson contributed \$2.6 million in cash and merchandise to support a wide variety of charitable organizations in the U.S. and Canada. McKesson also invested \$5.1 million in the McKesson Foundation to increase support services to cancer patients in McKesson communities, as well as other philanthropic endeavors.

A Focus on Cancer Support

Helping to create a healthier world is at the heart of all we do at McKesson, including our volunteer and corporate giving programs. We provide opportunities that encourage and support employee community involvement to improve the health of our communities. Our programs are inclusive, allowing for participation by employees at hundreds of McKesson sites as well as those who work from home — from distribution center workers and call center employees to sales representatives and executives.

To maximize our impact, McKesson aligns our company-sponsored volunteer programs with the McKesson Foundation's priority funding area. Both focus on cancer care — in particular, providing non-medical, direct services to cancer patients and growing the international marrow registry. These areas of great need reflect our identity as a healthcare company.

The efforts of the Foundation and McKesson employees reinforce one another. The Foundation supports cancer patients through the Giving Comfort program, the McKesson Marrow Drive and targeted grantmaking for non-medical, direct services. Employees share their passion, skills and talents through cancer-focused volunteer events.

Our cancer support program is built on these three pillars:

- **A local presence through our network of Cancer Care Community Partners.** The McKesson Foundation has developed a network of Cancer Care Community Partners that includes leading hospitals and medical centers, hospitality houses and cancer support organizations. We continue to strategically expand the network to ensure McKesson locations have a partner within a 30-mile radius, consistent with our focus on supporting the communities where our employees live and work.
- **Providing care packages through the Giving Comfort program.** Launched in 2012, Giving Comfort is a McKesson Foundation program that provides hope and inspiration to cancer patients through free care packages. McKesson employee volunteers create the items in the packages, including handwritten, signed cards that send a message of hope, strength, patience and comfort to patients undergoing cancer treatment. As of the close of FY17, Giving Comfort has reached more than 72,000 patients across the U.S. and Canada.

- **Grantmaking driven by employees.** By participating in our annual Community Days volunteer event and the McKesson in Motion charity step challenge, both described below, employees earn grants for their local Cancer Care Community Partner. The grant amount is tied to the number of employees who register for each event. In FY17, we provided 102 grants through this strategy, which further ties the program to local communities and connects grantmaking with employees' volunteer efforts.

In FY17, the McKesson Foundation donated \$750,000 to Cancer Care Community Partners for services such as temporary housing as well as transportation to/from infusion appointments. These needed services often are not covered by health insurance. Research studies have shown that a cancer diagnosis can often push a family into poverty (*Fighting Back Against Cancer*, HealthcareReform.gov; *USA Today/Kaiser Family Foundation/Harvard School of Public Health National Survey of Households Affected by Cancer*).

We continue to be committed to alleviating some of the stress and burden on individuals and families with cancer.

Feature Story: McKesson Marrow Drive

Launched in January 2016, the McKesson Marrow Drive represents a partnership across Corporate Citizenship, Health and Wellness, McKesson's Employee Resource Groups and the McKesson Foundation.

Marrow donation not only reflects our identity as a healthcare company and philanthropic focus on cancer care but also offers an opportunity to reach out to our diverse employee population to meet the urgent need for diverse donors.

At the end of March 2017, we had marked three matches and our first successful transplant when an employee who joined the registry during the 2016 McKesson Marrow Drive donated her marrow to a 43-year-old New Jersey man fighting leukemia.

Our employee volunteer and corporate philanthropy programs provide employees with the opportunity to support cancer patients and, in the case of the McKesson Marrow Drive, potentially save a life.

- **Community Days:** Since its beginning in 1998, Community Days has brought employees across the U.S. and Canada together for coordinated group volunteer projects at their worksites — with remote options for field-based employees. In FY17, 19,765 employee volunteers at 180 locations helped build 22,000 care packages during the event. McKesson Foundation grants tied to participation totaled \$250,000 for cancer non-profit organizations. The program engages employees at all levels of the company, from executive sponsors through business unit presidents and leaders who champion the program and the Regional Volunteer Chairs (described in the section below) who bring it to life at their locations.

- **McKesson Marrow Drive:** According to the World Marrow Donor Association, [more than 50,000 patients search the international registry for a match](#) each year. Only 30% of patients find a marrow donor in their families; the other 70% must hope for a match from a stranger. The odds are particularly challenging for patients of diverse racial and ethnic backgrounds.

For the second consecutive year, the McKesson Foundation partnered with the Gift of Life Bone Marrow Foundation to help grow the bone marrow registry through a U.S.-wide marrow drive. A McKesson Foundation donation to Gift of Life covered the cost of registration and swab-sample processing. Employees joined the international registry during worksite biometric screenings, at events sponsored by employee resource groups and by ordering swabbing kits online. At the end of FY17, the McKesson Marrow Drive had added 2,800 donors to the international bone marrow registry, leading to three matches and one successful marrow transplant. The drive will continue throughout FY18.

- **McKesson in Motion:** A charity step challenge, McKesson in Motion aligns with the Foundation's employee-driven grantmaking strategy. Each participating employee earns a grant for the Foundation's Cancer Care Community Partners. A friendly competition among business units promoted additional grants. In FY17, the program's inaugural year, more than 14,000 employees took 3.8 billion steps, earning \$200,000 in grants. Participants also earned points through McKesson's Vitality wellness program, described in the "Our Employees" section of this report.
- **Providing additional volunteer opportunities:** We work with the Foundation's Cancer Care Community Partners to identify volunteer opportunities proactively for employees who wish to expand and deepen their community impact by delivering care packages directly to patients.
- **Regional Volunteer Chairs:** Volunteering provides an avenue to build new skills and gain valuable experiences, such as leadership development. At McKesson, 320 employees currently serve as Regional Volunteer Chairs (RVCs). Volunteers themselves, the RVCs support our company-sponsored volunteer programs by leading local events and fostering engagement among employee volunteers. Their involvement is critical to the success of Community Days, the McKesson Marrow Drive and the McKesson in Motion charity step challenge.

Supporting Local and Global Communities

While our company-sponsored volunteer programs reflect our Foundation focus on cancer support, a second, equally important cornerstone of the McKesson Foundation's philanthropic investment strategy is to build healthier communities by supporting the causes that matter most to our employees.

- **Volunteer grants:** We provide grants linked to individual and group volunteer involvement as well as board service, without requiring a personal monetary donation from the employee. In FY17, the McKesson Foundation supported our McKesson volunteers' gift of time with volunteer grants to 397 non-profit organizations in North America, exceeding \$360,500.
- **Matching gifts:** The McKesson Foundation matches employee donations to qualified non-profit organizations starting at \$10 up to a \$2,500 fiscal year maximum. During FY17, the number of employees taking advantage of matching gifts increased more

than 20% and the total volume of grants matched was more than \$1.7 million.

- **Board service grants:** The Foundation believes that non-profit board service is an excellent way for employees to develop leadership skills and further develop areas of expertise in HR, IT, governance, finance, legal and marketing, among others. To encourage this volunteer service, employees who serve on the Board of Directors of a qualifying non-profit organization are eligible for an annual grant to the non-profit organization(s) for which they serve. In FY18, this grant will increase from \$500 to \$1,000 per fiscal year.
- **Scholarships for employees' children:** Each year, the McKesson Foundation Scholarship Program provides college scholarships for the children of permanent, part-time (20+ hours) or full-time McKesson employees based in the U.S. and Canada. In FY17, the Foundation awarded 30 four-year scholarships in the amount of \$2,500 per year. Scholarships are awarded based on academic achievement, activities and awards, and a counselor's recommendation. Household income is also taken into account.
- **Taking Care of Our Own Fund:** Active since 2013, the Taking Care of Our Own fund offers McKesson employees a way to support colleagues who experience a financial hardship resulting from a sudden, severe, overwhelming and unexpected event, whether a natural disaster or an emergency that results in an inability to take care of basic life necessities. The fund is supported by donations from the McKesson Foundation and McKesson Corporation, as well as from individual employees. The fund is administered by E4E Relief, a non-profit organization that manages the grant processing and administration.

The McKesson Foundation also supports disaster relief by providing a dollar-for-dollar match on employee donations to non-profit organizations and through the volunteer grants program.

Business units throughout McKesson support our communities through philanthropic programs funded by corporate contributions. For example, our U.S. Pharmaceutical business unit provides scholarships for pharmacy students in the amount of \$3,000 each, plus a \$300 travel stipend. Awarded through the [National Community Pharmacists Association Foundation](#), these scholarships are designated for students with high academic achievement, leadership qualities and a demonstrated interest in independent pharmacy.

Feature Story: When Wildfire Struck Fort McMurray

On May 3, 2016, a wildfire in Fort McMurray forced 88,000 Canadians from their homes.

Only one pharmacy, Dave Hill Pharmacy, a McKesson customer, stayed open during the evacuation while Fort McMurray roads were closed. To make sure that our delivery trucks could make it past the checkpoints and meet the urgent needs of patients, Cheryl Meller, operations manager with the Calgary distribution center, worked directly with Dave Hill Pharmacy, the local medical clinic and the Royal Canadian Mounted Police to ensure McKesson was included on the list of essential services.

As the displaced residents moved to shelters all over Alberta, the added population in these small communities caused local stores to run out of needed medications. McKesson added trucks and streamlined sorting to ensure the most essential medications reached stores quickly.

Deliveries to Fort McMurray continued almost daily until the evacuation ended June 15. McKesson continues to serve this community with our regular delivery schedule.

Recognizing Outstanding Service to Communities

Through recognition programs, the McKesson Foundation honors exceptional employee efforts that bring our ICARE shared principles to life in our workplaces, as well as the neighborhoods and cities where employees live and work. We proudly recognize our employees' volunteer achievements through the President's Volunteer Service Awards and our Community Heroes program.

McKesson Community Heroes

Open to Celesio, McKesson Canada and U.S. employees, the 2017 McKesson Community Heroes program recognized outstanding employee efforts at their workplaces and their communities with grants exceeding \$40,000 in FY17.

We selected McKesson Community Heroes in three categories:

- **Better Health for Our Communities:** Exemplary efforts for organizations and causes that strengthen our local and global communities and our workplaces.
- **Better Health for Patients:** Exemplary efforts for the health and well-being of patients. We especially welcome stories highlighting cancer support, our Foundation's focus area.
- **Better Health for Our Planet:** Exemplary efforts to support environmental awareness, conservation or sustainable living in our workplaces, our homes or our towns.

Employees can either nominate themselves or their peers. Voting panels in Canada, Europe and U.S. select honorable mentions and choose finalists. An international panel selects the winners. The program is highly competitive, with more than twice as many applications as the prior fiscal year.

We are proud to feature the top 2017 Community Heroes in videos that accompany this report:

James LeBrocq, McKesson Canada

Better Health for Our Communities

James has worked closely with three troubled youths in his town to help them make a commitment to kick substance abuse, locate treatment centers, get an education and find employment so they can lead independent, productive lives.

Kaci Dominguez, U.S. Pharmaceutical

Better Health for Patients

As a volunteer pharmacist at a clinic of Doctors Without Walls — Santa Barbara Street Medicine, Kaci dispenses medications to homeless patients in consultation with the prescriber and helps educate student volunteers.

Irene Furulund, Celesio

Better Health for Our Planet

As a board member for a project that teaches more productive, sustainable farming techniques to rural farmers in Mozambique, Irene has helped more than 4,000 farmers form cooperatives and increase the yield of their crops.

President's Volunteer Service Award

McKesson is a Certifying Organization for the President's Volunteer Service Award (PVSA), issued by the President's Council on Service and Civic Participation. McKesson grants PVSA's to U.S. employees who have logged more than 100 hours of volunteer service during the fiscal year. In FY17, 138 employees earned the PVSA.

Environmental Sustainability

Healthier communities thrive in a healthier environment. That's why we're sharpening our focus on environmental sustainability. We track our reduction of emissions companywide through metrics like building optimization and fleet fuel efficiency.

Going beyond compliance to establish new environmental best practices is a priority across McKesson businesses, as we work to capture the metrics most relevant to our specific business and act on recommendations that lead to a healthier environment.

Reducing Our Carbon Footprint

A core tenet of our company is operational excellence, and we continually seek business efficiencies that also lead to reduced environmental impact. At the same time, we recognize the importance of a company-wide approach to sustainability, such as our standard operating procedures for environmental health and safety.

Another key component of our sustainability strategy is setting targets for reduced CO₂ emissions. During FY17, McKesson continued our three-year initiative to consolidate and benchmark data, implementing a new environmental reporting platform that allows us to aggregate data and pinpoint consumption by facility. These reports will enable us to set internal targets for CO₂ reductions starting in FY18.

Emissions Reduction Strategies in North America

- **Fleet optimization:** In the U.S. and Canada, McKesson's distribution businesses primarily deliver products to customers through transportation partners. This arrangement leads to fleet optimization, since external carriers are able to arrange pickups and deliveries to avoid returning empty trucks to distribution centers (DCs).
- **Redistribution center model:** Besides our network of DCs, McKesson operates two National Redistribution Centers (NRDCs) in the U.S. This model enables us to better manage our inventory and reduce redundancies. It reduces overall movement of inventory, as manufacturers need only ship to the two NRDCs, and in turn, we can optimize movement within our DC network.
- **Energy Star Portfolio Manager:** In the U.S., McKesson uses the Environmental Protection Agency's Energy Star Portfolio Manager as a tool to benchmark our facilities and identify trends for best practices and for energy conservation. By the end of FY17, we had benchmarked 217 facilities through Energy Star, including McKesson headquarters in San Francisco, which achieved an Energy Star Rating of 95 out of 100.
- **Evolving our workplace through new guidelines:** Reflecting the availability of affordable mobile technology, changing work styles and the growing presence of new generations in the workforce, McKesson's Real Estate team continues to implement the new design guidelines it developed in FY16. The guidelines are intended to increase the attraction and retention of our current and future workforce, improve the utilization of our assets, enhance the connectivity of McKesson across global sites and increase employee engagement, and have standardized the path to LEED and WELL certifications.

- **Seeking LEED and WELL certifications:** Using **LEED** (Leadership in Energy and Environmental Design) and **WELL** (a system that measures features of the built environment that affect human health) guidelines, we have achieved environmental certifications for our business. Our offices in Richmond, Virginia, and Irving, Texas, are LEED certified, as is the U.S. Pharmaceutical business's Chicagoland distribution center. In FY17, our One Post Street headquarters achieved LEED Platinum status, and we are pursuing LEED certification for our new campus in Scottsdale, Arizona. Our Richmond, Virginia, office is also WELL certified, and we are pursuing this certification for both the Irving and One Post offices.
- **LED lighting:** In FY17, we began to assess an LED lighting upgrade program for more than a dozen distribution centers. We expect the program to reduce our U.S. Pharmaceutical business's carbon footprint by 14% and our electricity use by 16%, while also improving lighting quality. McKesson Canada has shifted to LED lighting in a number of meeting rooms.
- **Production efficiency:** In our distribution centers, we measure energy consumption by production lines in individual facilities. These metrics allow us to identify locations of heavier consumption and identify opportunities to reduce energy use.
- **Sustainable commuting options:** 16% of our employees in the U.S. and Canada work from home, eliminating their need to commute. McKesson also offers commuter benefits, which enable employees to use before-tax payroll deductions to pay for eligible commuter expenses, such as work-related mass transit passes. At McKesson Canada, the headquarters space has reserved parking spaces close to the main entrance for employees who carpool every day to work. Local ecological champions across Canada offices bring electric/hybrid car charging stations to company sites, starting with the Dobrin Street office in Montreal and expanding in FY17 to the Viscount Street office in Ontario.
- **Material reduction:** McKesson Canada's Digital Repository Initiative reduced usage of paper in our Accounts Payable department by 75%, saving 234 trees, approximately \$36,000 in paper costs and \$84,000 in storage costs each year. The initiative improved document protection, increased access to information and reduced fees associated with the storage, recall and destruction of documents.

Energy Reduction Initiatives in our Celesio Business

As a leading international wholesale and retail business, Celesio operates 109 warehouses across Europe, supplies more than 50,000 pharmacies and hospitals every day and owns more than 2,150 pharmacies. For Celesio's buildings, whether owned or leased, energy management is a key factor in fighting climate change. In Celesio's operations, lighting accounts for up to 40% of electricity consumption in distribution centers and 55-70% of electricity usage in pharmacies. Therefore, increasing the efficiency of our lighting systems and thus reducing climate-damaging CO₂ emissions has a significant impact on our carbon footprint. Currently many of Celesio's warehouses have conventional lighting, such as fluorescent tubes and discharge lighting. Compared to more modern technologies, these fixtures consume a lot of energy. Therefore,

Feature Story: An “Enlightened” Approach to Emissions Reduction

An initiative of McKesson’s Celesio business, the European Pharmacy Network (EPN) is a retail concept for pharmacies that emphasizes the role of pharmacist as healthcare provider, incorporating a fresh, bright and relaxed environment for customers.

Lighting plays an important role in EPN pharmacies — not only for design and functionality but also for energy consumption and cost. That’s why Celesio decided to retrofit the lighting systems in more than 350 stores with LED units and associated controls. At the same time, stores replaced inefficient heating units with more efficient ones, complete with timer controls and/or occupancy sensors.

The overall objective is to reduce electricity consumption, and thereby CO₂ emissions, by an average of 30% per pharmacy.

We re-fitted a pilot group of 50 stores with LED lighting, and we are on target to save electricity equating to 200 tons of CO₂ emissions every year. By the end of 2017, we plan to upgrade more than 300 additional stores, which will result in additional savings of 1,400 tons of CO₂ emissions each year.

Celesio has decided to upgrade all distribution centers that still use energy-intensive lighting with LED systems.

- **Fleet optimization:** The Celesio business continuously works on different solutions to make the ordering process both user-friendly and sustainable. We plan delivery routes to optimize utilization of our delivery vehicles, while taking into consideration the appropriate delivery frequency of products to our customers.
- **Lighting in distribution centers:** We expect to see an overall reduction of approximately 40%, or more than 3,300 tons of CO₂ emissions per year. The carbon reduction has the same positive impact on the climate as planting 3.3 million square meters of trees — the equivalent of 468 soccer fields.
- **Lighting, heating and design guidelines in pharmacies:** Celesio is retrofitting lighting systems in 350 stores with LED units and replacing inefficient heating units with more efficient systems that include timer controls and occupancy sensors.
- **Material reduction:** Celesio uses a variety of materials both in our operations and in administrative work: office paper, packaging and transport materials. Going forward, we strive to limit usage to the minimum amount required. Where the use of materials is unavoidable, we will opt for recycled products. For example, we ensure as little paper is used as possible. Electronic filing systems help this process. If a document must be printed, we use our shared printers, which mostly use certified recycled paper.
- **Reusable containers:** Celesio distribution centers send medication to customers — both pharmacies and hospitals — in transport containers. After these containers have been unloaded and emptied at the destination, we reuse them for the next delivery. We have developed a return system that guarantees a smooth pick-up process. By reusing the containers for further deliveries, we save valuable resources and avoid unnecessary waste every day.
- **Pursuing certification for our buildings:** The Stuttgart, Germany headquarters of our Celesio business was recognized by the German Sustainable Business Council for the use of low-emission building materials and smart, energy-efficient heating and water-saving systems.

Our FY17 Greenhouse Gas Emissions

McKesson estimates our greenhouse gas (CO₂) emissions using the international Greenhouse Gas Protocol for our Scope 1, 2 and 3 emissions.

- **Scope 1 emissions:** Direct emissions generated by vehicles due to fuel combustion (including U.S. fleet vehicles for Medical-Surgical and U.S. Pharmaceutical businesses); natural gas consumption at U.S. facilities; gas, oil, diesel and petrol for 12 European countries.

- **Scope 2 emissions:** Indirect emissions associated with the consumption of purchased electricity that we use in our U.S. facilities and in 12 European countries.
- **Scope 3 emissions:** Indirect emissions associated with employee business air travel in Canada and the U.S.

In FY17, we included Scope 1 and 2 data from Austria, Belgium, Denmark, France, Germany, Ireland, Italy, Norway, Portugal, Slovenia, Sweden, the United Kingdom and the United States. We did not report Scope 1 and 2 data for Canada, the Netherlands and Poland. For Scope 3, we reported data for Canada and the U.S.

About Our Carbon Emissions

- **Scope 1:** We saw a small decrease in CO₂ emissions in FY17, driven in part by our ongoing sales fleet management initiative in the U.S. (please see “Our Fleet” below).
- **Scope 2:** We believe that our CO₂ emissions increase in FY17 is primarily driven by variability in our real estate portfolio. While we expect that variability to continue, we also anticipate that our newly implemented facilities database in the U.S. will help identify savings opportunities in future years. We will also likely achieve CO₂ reductions through increased use of LED lighting in Europe.
- **Scope 3:** We saw a decline in short-haul and medium-haul flights. During FY17, we continued to encourage technology-enabled virtual meetings as an alternative to travel, which likely contributed to the decline in flights and resulting CO₂ emissions saving systems.

	FY16 CO ₂ Emissions (Metric Tons)*	FY17 CO ₂ Emissions (Metric Tons)
Scope 1: Fuel Consumption for In-House U.S. Pharmaceutical, Medical-Surgical and Celesio Fleets; Natural Gas Consumption in U.S. and Celesio Facilities; Heating Oil in Celesio Facilities	92,194*	91,235
Scope 2: Electricity Consumption in Facilities	188,912*, **	195,949
Scope 3: Employee Air Travel	28,733	27,508

*Please note we are restating our FY16 figures to include emissions from 12 European companies that are part of our Celesio business.

**In FY16, we used eGRID2010 for our U.S. reporting. We changed to eGRID2012 in FY17, and we are restating our FY16 figures to reflect eGRID2012. This change led to a slight increase in reported FY16 CO₂ emissions attributable to U.S. facilities.

Our Facilities

As part of our efforts to minimize our impact on the planet and use our resources responsibly, McKesson supports recycling, monitoring our water usage and proactively managing and identifying hazardous and regulated waste.

In this report, we have included consolidated recycling data for the U.S. locations for which McKesson itself (rather than a building landlord) manages waste disposal. Recycling data was available for 96 sites in FY16 and 94 sites in FY17. During FY17, we saw an overall increase in recycling.

U.S. Recycling – FY16 and FY17 (all line items measured in pounds)

Category	FY16	FY17
All Materials	24,850,780	25,763,660
–Cardboard	20,223,260	21,418,040
–Single Stream	4,265,740	3,850,400
–Metal	30,820	102,600
–Wood	12,000	2,000
–Other*	660	390,620

*Includes recycling of plastic materials

As is the case for Scope 2 (electricity consumption) data, McKesson uses an external bill-pay vendor to aggregate utility data to measure our water consumption. This number reflects all the McKesson sites for which the vendor processes water bills.

U.S. Water Use – FY16 and FY17

FY16	FY17
83,436,910 gallons	96,894,866 gallons

We saw an increase in water use in FY17, which can largely be attributed to building construction projects during the fiscal year.

Hazardous Waste Management

McKesson has a Hazardous and Regulated Waste Management Program that establishes standards to identify and manage hazardous and regulated waste, and handle hazardous and regulated waste spills. The program ensures that the accumulation and disposal of waste from McKesson facilities complies with the Resource Conservation and Recovery Act (RCRA) and the Hazardous and Solid Waste Amendments, as well as applicable state and local regulations.

To ensure the appropriate reuse, recycling and disposition of e-waste, McKesson leverages the expertise of our suppliers, which are certified in the appropriate handling of e-waste. This policy applies to both leased and non-leased assets. Leased electronic assets make up the bulk of our portfolio. Upon return, most are wiped clean and reused. If reuse is not possible, the parts are recycled.

Our Fleet

In North America, McKesson outsources much of our distribution fleet. As described earlier in this section of the report, this policy inherently drives fleet optimization, since external carriers are able to arrange pickups and deliveries to avoid returning empty trucks to distribution centers. As another example, we work with customers to optimize delivery schedules. By reducing the number of miles driven, we also reduce CO₂ emissions.

In addition, during FY17, McKesson continued to add fuel-efficient, four-cylinder vehicles to the U.S. Pharmaceutical sales fleet, an initiative started in FY10.

FY17 Fleet Emissions Compared to FY16 (Metric Tons CO₂e)

Category	FY16	FY17
Fleet CO ₂ emissions (in-house fleet for U.S. Pharmaceutical and Medical-Surgical businesses)	37,572	35,585

Energy Reduction Initiatives for the McKesson Canada Fleet

We own our fleet in the Quebec region. To reduce our environmental footprint, McKesson Canada's Transportation Management team has embarked on several energy reduction initiatives to save more than 35,000 gallons of fuel each year.

- Tractor upgrade: Starting in 2014, McKesson Canada upgraded the tractors used in our line-haul network between distribution centers, leading to an annual fuel reduction of 18,200 gallons.
- 5-ton truck upgrade: An upgrade of 5-ton vehicles led to an annual fuel reduction of 7,100 gallons.
- Adding long combination vehicles (LCVs) to the fleet: In FY16, McKesson Canada introduced LCVs to our line-haul network. LCVs use less fuel to carry goods, which leads to a reduced carbon footprint.

Business Travel

While business travel is inherent to McKesson's operations, it also affects the environment. To mitigate the impact of airline and long-distance private vehicle travel, we continue to encourage employees to use tele- and videoconferencing whenever possible to reduce travel and thus reduce our carbon footprint.

McKesson's emissions from business travel declined 4% in FY17 due to a decrease in the number of both short-term and medium-term flights. During FY17, McKesson continued to emphasize alternatives to travel, such as virtual meetings, which contributed to the decrease.

CO₂ Emissions from Business Air Travel

	FY16	FY17
Approximate CO ₂ Emissions in Metric Tons for Air Travel Only	28,733	27,508

Environmental Compliance

Our environmental commitment begins by adhering to all environmental regulations and laws. Just as we take great care in the safety and security of our products, services and people, we are careful and thoughtful to minimize the effect of our company operations on the environment.

During the period covered by this report (April 1, 2016, through March 31, 2017), McKesson was in material compliance with all environmental regulations.

Corporate Governance and Business Ethics

For businesses across healthcare, being healthy means having what you need to operate more efficiently and improve the lives of patients.

McKesson champions those working on the front lines of healthcare by helping them deliver better care at lower costs. We deliver excellence. We deliver value. And we deliver for each other.

About McKesson

Ranked #5 on the FORTUNE 500, McKesson is a global leader in healthcare supply chain management solutions, retail pharmacy, community oncology and specialty care and healthcare information technology. We partner with pharmaceutical manufacturers, providers, pharmacies, governments and other organizations in healthcare to help provide the right medicines, medical products and healthcare services to the right patients at the right time, safely and cost-effectively.

At the end of FY17, McKesson had approximately 78,000 employees and generated revenues of \$198.5 billion.

Our ICARE and ILEAD Shared Principles

Our work, at every level of McKesson and in every role, is driven by our shared principles, known as ICARE (integrity, customer-first, accountability, respect and excellence) and ILEAD (inspire, leverage, execute, advance and develop).

These principles unite our employees, connecting us across business units, locations and functional areas. Living out these values is what shapes the corporate culture at McKesson. It's what enables us to make a positive difference in the world.

We see examples of ICARE and ILEAD every day, at every McKesson location. These principles particularly come to light when our employees work together to make a difference for customers and patients — and even save a life, as in the story below.

Awards During FY17

McKesson had the honor of receiving a number of significant awards over the past fiscal year.

Feature Story: Teamwork Saves Mother of Two

It was nearing the end of Bev Regal's shift on a Thursday afternoon in early December when she received an email from a customer in Ohio. The subject line said, "help URGENT ... Emergency Order." Bev, who works at U.S. Pharmaceutical's New Castle, Pennsylvania, distribution center (DC), knew it was important, and she needed to act right away. A mother of two had been on the operating table since that morning. The hospital needed extra large quantities of Gelfoam and Thrombin to keep her from losing too much blood before the surgery could be completed.

Bev immediately checked the DC's inventory, but New Castle did not have quantities on hand to fill the customer's request. She called her colleague Becky Pitakos at the Washington Court House DC in Ohio. Becky's team sprang into action and determined they had enough of the requested items. Ronette Geesling followed up, making sure the order was filled in full and ready for delivery.

Ronette was very concerned about the traffic around Columbus, Ohio, due to rush hour and holiday shoppers. Fortunately, she says, "the driver made it there in record time. He met a pharmacist waiting outside the emergency room and handed the product over." While HIPAA regulations prevent the hospital from sharing details, hospital staff confirmed the patient survived the surgery and was released. Bev says, "We can't help getting personally involved when it's an emergency. I wanted to let our team know they made a difference."

Adds Blaine Snider, director of operations, New Castle. "It's a perfect example of our slogan, 'It's not just a package, it's a patient.' In this case, it's not just a patient, it's a life saved."

FORTUNE Magazine's 2017 Most Admired Companies	#1 in Healthcare Wholesalers	Recognizes McKesson's achievement in the nine attributes of reputation: innovation, people management, use of corporate assets, social responsibility, quality of management, financial soundness, long-term investment value, quality of products/services and global competitiveness.
J.D. Power 2016 Pharmacy Satisfaction Study	#1 in Customer Satisfaction, National Chain Pharmacies	Based on responses from nearly 15,000 pharmacy customers who filled a new prescription or refilled a prescription during the three months prior to the survey period of June 2016. Key factors assessed include the store, cost competitiveness, non-pharmacist staff and pharmacist.
Military Friendly	Top 100 Military Friendly Employers in 2016	Criteria include veteran hiring, advancement and retention, culture, policies and compliance, and recruiting and sourcing.
Human Rights Campaign	Best Places to Work in 2017	Recognizes McKesson's 100% score on the Corporate Equality Index, a benchmarking tool on corporate policies and practices pertinent to lesbian, gay, bisexual and transgender employees.

Black Enterprise Magazine	2016 Best Companies for Diversity	Criteria include percentage of African-Americans and members of other ethnic minority groups represented in a given company's workforce, senior management positions and board of directors, and percentage of total procurement dollars spent with companies owned by African-Americans and members of other ethnic minority groups.
The Association of Employee Resource Groups and Councils	United States' Top 25 Employee Resource Groups, Business Resource Groups and Diversity Councils	Honors McKesson's national employee resource group structure for advancing the diversity and inclusion process and demonstrating results in our workforce, workplace and marketplace.
Realcomm	2017 Commercial Real Estate Digital Innovation Awards	McKesson Real Estate was honored for its use of technology, innovative end-to-end process design, and a white paper written in partnership with Stanford University's Center for Integrated Facilities Engineering.

Compliance and Integrity

McKesson's corporate character and all that we do, from the boardroom to the distribution center floor, are defined by our ICARE shared principles. Integrity ("I") is a key principle that informs how we make decisions and take actions every day; it's mandatory at McKesson.

McKesson's strength and reputation are rooted in high standards of business conduct driven by these principles, which extend to our relationships with our customers, suppliers and shareholders. To uphold these high standards and maintain our culture of integrity, we have a Board-approved [Code of Conduct](#) and a comprehensive Compliance and Ethics program. Our Code of Conduct, which we have translated currently into 17 languages and dialects in 15 countries applies globally to all employees, officers and directors. The Code describes fundamental principles, policies and procedures that shape our work and provides each of us with guidance to make appropriate decisions when we are faced with ethical issues.

Comprehensive Compliance and Ethics Program

McKesson has established a comprehensive Compliance and Ethics program integrated throughout the company and our various business units. Our General Counsel is the Chief Compliance Officer for the Corporation, aided by a Compliance, Regulatory & Ethics group within the General Counsel Organization and Business Unit Compliance Officers embedded within the operating business units. The Chief Compliance Officer oversees and monitors implementation of the program, which encompasses standards and guidelines set out by regulators, including the Office of the Inspector General (OIG) of the U.S. Department of Health and Human Services. Our compliance program includes:

- Written and publicized policies and procedures
- Compliance communications and web resources
- Regulatory and compliance training
- Internal auditing and compliance monitoring
- A toll-free Integrity Line
- Investigations relating to regulatory, compliance and ethics matters
- Where necessary, corrective and/or preventative action

A training program that combines both interactive online and in-person training helps ensure that our employees are familiar with our Code of Conduct and company policies. Areas covered

by this training program include the Code of Conduct, fraud and abuse laws, sexual harassment, anti-retaliation, HIPAA and patient privacy, anti-corruption, antitrust and trade regulation laws, environmental health and safety, and other important regulatory and compliance topics.

Integrity Line

The McKesson Integrity Line is available 24 hours a day, 7 days a week. It allows employees to raise concerns (anonymously if they wish), including possible violations of McKesson policies or other illegal or unethical activity. An independent third-party provider answers and documents all calls before forwarding them to McKesson. We investigate all allegations and provide reports of allegations and investigations to senior management and the Audit Committee of the Board of Directors.

In addition to the Integrity Line, employees are encouraged to contact the Compliance, Regulatory and Ethics group; their Business Unit Compliance Officer; the HR Support Center; the Law Department; or their supervisor with any questions or concerns they may have regarding our compliance program or potential compliance concerns, company policies and procedures, or the proper course of action in a particular situation. Retaliation against an employee who makes a good faith complaint through the Integrity Line or other channels is strictly prohibited at McKesson.

Following an investigation, we may take corrective actions as warranted by the situation, including disciplinary action or retraining. Ultimately, it is every employee's responsibility to ensure that we as a company comply with the many laws, regulations and ethical standards affecting our business.

Our Commitment to Responsible Marketing

McKesson sees the way we market our products and services as an opportunity to demonstrate good corporate citizenship. The promotion, marketing and sale of drugs, medical devices and other medical technologies are subject to diverse legal and ethical standards. We respect the integrity of the relationship between patients and providers, and the healthcare decisions they make. We also believe that anyone who pays for healthcare goods and services should get full value for their purchases. McKesson is committed to complying with applicable laws and regulations that protect against fraud, waste and abuse in healthcare. We adhere to ethical standards in conducting our marketing and promotional activities. Our

employees are regularly trained on our Code of Conduct and other company policies, such as the U.S. Sales and Marketing Policy, which make clear our commitment to market and sell honestly.

Our Anti-Corruption Policies

Our business is increasingly global. We recognize the importance of demonstrating strong ethics and corporate citizenship in the global economy. McKesson prohibits bribery and other forms of corruption in our business, and we continue to refine and enhance our programs to prevent corruption. We have developed clear and specific policies, including a Global Anti-Bribery Policy, to guide appropriate decision-making with regard to gifts, meals and entertainment, and interactions with government officials, among other things.

Our Anti-Slavery Policies

McKesson is committed to good corporate citizenship and the highest ethical standards. To fulfill these standards, we take steps to ensure that slavery and related human trafficking do not form part of the supply chain, consistent with the [UK Modern Slavery Act](#).

Public Affairs

Our businesses and customers span all settings of healthcare, which allows us to understand our complex health system in a uniquely comprehensive way. At McKesson, we view public policy engagement as an important business strategy to proactively address issues that affect our operations as well as those of our customers, including physician groups, pharmacies, hospitals, manufacturers, homecare agencies and long-term care providers.

Whether it is an election year or not, our public policy efforts focus on supporting our businesses and advocating constructive policy solutions to challenging and relevant healthcare issues. We help educate government officials at the local, state and federal levels as they develop policies to improve the healthcare delivery system. Learn more about [McKesson's public policy approach](#) in the U.S.

In this section, we also describe association memberships, as specified in the Global Reporting Initiative's guidelines. At the end, we have a list of association memberships specific to Canada.

Selected Public Policy Engagement

McKesson supports healthcare policies that promote the safe, cost-effective and timely distribution of pharmaceuticals and medical supplies, as well as the use of innovative health information technology solutions that improve the efficiency, cost savings and quality of care. We [engage on issues](#) such as the security of the supply chain and the future of healthcare reform.

One of our areas of policy engagement is the opioid crisis. The U.S. is suffering from a dangerous and growing opioid epidemic which affects lives, families, jobs and productivity every day. This multi-faceted problem must be addressed through a comprehensive approach that includes the doctors who write the prescriptions, the pharmacists who fill them, the distributors who fill and deliver pharmacies' orders, the manufacturers who make and promote the products and the regulators who license the above activities and determine supply.

McKesson is fully committed to working with all stakeholders to protect the supply chain and prevent diversion while ensuring service to patient needs. With a broad view of healthcare and customers across industry and government, McKesson is uniquely positioned to advocate for a comprehensive set of policy and business solutions

that could significantly slow the abuse and diversion of opioids, to the benefit of patients and their families. In March 2017, we outlined our proposed solutions to the crisis in our policy paper, "[Combating the Opioid Abuse Epidemic](#)." To learn more, please see the section below on McKesson's response to the opioid crisis.

Stakeholder Engagement

McKesson's Public Affairs activities aim to shape health policy, create productive collaborations with key internal and external stakeholders and enable McKesson to become a trusted advisor on many healthcare policy issues and other tax, trade, labor, environmental and general business climate issues that affect our ability to satisfy our mission. We engage stakeholders in various ways in these areas:

- **Government relations:** We continue to develop and strengthen relationships with public officials at all levels of government as we advocate policies to improve healthcare delivery and promote efficiency. McKesson retains contract lobbyists in Washington, D.C., and in selected states to provide additional insight into legislative issues as well as regulatory initiatives, and to help McKesson proactively shape the outcome of these public policy issues.
- **Internal subject matter experts:** By collaborating with internal subject matter experts and coordinating our messages across the company, we develop policy solutions to challenging healthcare issues. The Public Affairs team leads selected task forces comprising employees from across the enterprise to focus on policy issues important to the company and strengthen and maximize our advocacy efforts at the federal, state and local levels. In conjunction with experts in our business, the Public Affairs team also coordinates corporate strategies on regulatory issues of importance to McKesson, increases intra-company awareness of regulatory issues and ensures a coherent and substantive company-wide position on critical public policies.
- **Industry partners and policymakers:** McKesson plays an active role in educating policymakers about the solutions we offer to improve patient safety, reduce the cost and variability of care, and improve the quality and efficiency of healthcare delivery. Through tours of our distribution centers and visits to pharmacy and hospital customers, policymakers can better understand the steps we take to assure the safe, efficient and rapid distribution of pharmaceuticals and medical-surgical supplies, as well as the tools and technology solutions we provide our customers to improve the quality and delivery of healthcare.

Employee Civic Engagement

McKesson supports the civic engagement of our employees through a variety of activities. Our employee engagement programs empower McKesson's U.S. employees to engage on public policy issues that affect McKesson, our customers and the patients we serve. We support employee civic engagement in these ways:

- **Voting:** During election years, our "get out the vote" effort provides official voter information to employees about state and federal elections, including how to register to vote, polling locations and important deadlines.
- **Employee engagement:** McKesson's Advocacy Network program includes a website that provides information and resources on public policy, legislative process and civic engagement, monthly e-newsletters featuring legislative updates, policy analysis and

election coverage and webinars on timely public policy issues and election analysis. Thousands of employees tune in to the quarterly webinars.

- **Employee advocates:** McKesson's Advocacy Ambassadors are a subset of specially trained employees who are part of the extended Public Affairs team and serve as primary partners in the field with federal, state, or local level elected officials and as part of a broader community of influencers.

Political Engagement

McKesson understands that the decisions made by policymakers have a profound impact on our industry, business, customers and the patients they serve. We seek to educate elected and appointed officials about the solutions we offer to improve patient safety, reduce the cost and variability of care and improve the quality and efficiency of healthcare delivery.

McKesson believes that transparency and accountability with respect to political expenditures are important. In 2017, McKesson increased its disclosure of corporate political contributions to state and local candidates, parties, committees, ballot measures and political organizations, which is now posted publicly. The company also discloses annual payments to health policy, industry and/or trade organizations in excess of \$50,000. View this information and review McKesson's policy regarding political contributions on our [company website](#).

McKesson's Response to the Opioid Crisis

The opioid epidemic is a public health crisis, and we take our responsibility to help manage the safety and integrity of the pharmaceutical supply chain extremely seriously.

Over the past decade, as the epidemic evolved rapidly, we made a commitment to strengthen our processes, technology and human resources dedicated to preventing diversion. We aggressively work to help prevent the diversion and abuse of prescription opioids through our innovative supply chain security programs and proactive order monitoring initiatives, while ensuring appropriate treatments are available to patients. We are fully committed to working with all stakeholders to develop a public policy response to this evolving epidemic.

McKesson has invested millions of dollars to build a Controlled Substance Monitoring Program (CSMP) that monitors suspicious ordering patterns, blocks the shipment of controlled substances to pharmacies when certain thresholds are reached, reports suspicious orders to the DEA and educates our customers on identifying opioid abuse. Today, we believe we have a best-in-class CSMP and are dedicated to ongoing enhancements.

Some of our actions over the last four years include:

- **Expansion of our compliance team:** In order to further strengthen our compliance program, McKesson added a number of diversion experts to its CSMP team, which now includes 40+ individuals with more than 240 years of cumulative DEA enforcement experience. McKesson has also hired industry experts with experience in the retail pharmacy industry, state and board of pharmacy investigators, pharmaceutical manufacturers, and data analytics. McKesson believes that our current CSMP team is among the strongest in the industry.

- **Customer due diligence:** McKesson performs comprehensive due diligence on prospective pharmacy customers before agreeing to supply medications. This rigorous diligence process includes the gathering of specific pharmacy information and the validation of regulatory licensure.
- **Ongoing oversight:** McKesson monitors its customers' orders of controlled substances for potential diversion throughout the customer relationship. As part of its review process, pharmacies are subject to a complete due diligence analysis, pursuant to McKesson's proprietary CSMP. McKesson reports all controlled substances transactions to the Drug Enforcement Administration (DEA), including those deemed suspicious by our CSMP.
- **Advanced threshold analytics capabilities:** McKesson has expended significant resources to develop and refine a cutting-edge controlled substances threshold management program, using complex and dynamic data analytics.
- **Physical supply chain:** Controlled substances are locked, monitored and stored in two DEA-regulated spaces. Schedule 2 narcotics go in a high-security "vault" and inventory checks of controlled substances are conducted frequently. Formal background checks are given to all employees who handle Schedule 2 narcotics. Controlled substances are packaged under video cameras, where they're packed in specially sealed plastic bags. Unmarked trucks are used in the delivery of the medications McKesson distributes.
- **Customer education:** McKesson has been proactive in educating its customers about the importance of compliance with DEA and state agency regulations. McKesson provides its customers with literature on how to identify the warning signs of prescription abuse and diversion. McKesson conducts informational meetings for customer groups and makes presentations at annual trade shows and pharmacy association meetings to emphasize the importance of preventing diversion. Similarly, McKesson educates its own employees on the company's regulatory obligations, including CSMP-specific training sessions at annual sales meetings.
- **Ongoing state and federal collaboration efforts:** McKesson is an active participant in legislative efforts around controlled substances. The company also strongly supports the Center for Disease Control's clinical guidelines and calls for additional formal and continuing medical education on the dangers of opioid use as important ways to curb clinically inappropriate prescribing, doctor shopping and diversion.

McKesson's Opioid Task Force

In an effort to use McKesson's vast and unique position within the healthcare landscape to identify potential solutions to the opioid crisis, McKesson created an internal task force in 2015 to further study the opioid issue and its challenges. The task force was comprised of McKesson subject matter experts, including clinicians, all of whom had a strong understanding of the problems and players in the opioid management ecosystem.

During FY17, our task force proactively developed a [policy paper](#), which includes recommendations that we are actively sharing with federal and state elected officials and other stakeholders across the healthcare supply chain. Our recommendations include program

and policy changes that encourage industry participants to work together to:

- Use data analytics and technology to control the risks of overprescribing
- Better utilize clinical-based practice guidelines
- Provide real-time accessible information to pharmacists prior to dispensing opioids
- Identify patients most at risk
- Improve information sharing among different monitoring programs and
- Partner with academic organizations / private sector to develop data-based solutions

To learn more, see our policy paper, “[Combatting the Opioid Abuse Epidemic](#).”

Supplier Diversity

McKesson is committed to expanding opportunities to businesses that can provide exceptional service at a competitive value and cost. We have long-term relationships with the communities in which we work, live and do business, and we are honored to contribute to those communities through our supplier diversity initiatives. We started our formal supplier diversity program in 1993. Over the past five years, our number of minority suppliers has increased 91%.

At McKesson, diversity efforts are led by senior management, who hold themselves and their teams accountable for success. The goal of our leaders is to advance inclusion at all levels of our company and in all our activities.

“At McKesson, diversity within our supply chain isn’t a box to check or an accolade for our website,” says Lance Dorsey, senior manager, Supplier Diversity. “For us, supplier diversity means something more. We recognize that small and diverse businesses offer agile solutions to meet our business needs. Small businesses employ people from the communities we serve and help sustain our valued customer relationships. Additionally, we partner with small diverse suppliers who we truly believe share our vision and partner to make that vision a reality.”

McKesson’s leadership believes that diverse and small businesses are vital business partners. The company supports a strong outreach strategy to ensure that qualified small and diverse businesses are given a fair opportunity to provide products and services to our company. McKesson maintains memberships in and/or actively supports the following organizations:

- [Astra Women’s Business Alliance](#)
- [Disabled Veteran Business Alliance](#)
- [Department of Defense, Western Council for Small Business Development](#)
- [Healthcare Supplier Diversity Alliance](#)
- [Golden Gate Business Association](#)
- [National Veteran-Owned Businesses Association](#)
- [National Veteran Small Business Coalition](#)
- [Western Regional Minority Supplier Development Council](#)

Feature Story: A Partnership to Provide California Veterans with Medical Supplies

Steve Nodes is a former U.S. Air Force medic whose service included two tours in Iraq. After returning to civilian life, he earned a college degree and immediately started his own business, Echelon Distribution.

Echelon provides medical and industrial supplies from a variety of manufacturers to meet the needs of state, federal and private organizations. It is a service-disabled veteran-owned business, certified disabled-veteran business enterprise and a member of the Disabled Veteran Business Alliance.

Steve contacted McKesson’s corporate office to express his desire to work with the company as a supplier/reseller, and he connected with Matt Gregory, home care account manager, McKesson Medical-Surgical. Over a cup of coffee, the two came up with a plan. “I was impressed with Steve from the get-go,” says Matt. “He had vision and a strategy to see it through. He understood the veteran population and their needs because of his own experience.”

As they continued to meet, they realized their companies shared values such as a focus on customer relationships, innovative thinking and operational excellence. Today, Echelon is a reseller of McKesson medical supplies for customers such as the California Department of Veteran Affairs.

“I think of Matt as a mentor and champion,” says Steve. “He helps me think through new and creative ways to serve California veterans and makes sure the relationship I have with McKesson supports those goals.”

Corporate Governance and the Board of Directors

Our Board of Directors values the views of our shareholders and believes regular communication throughout the year not only is a testament to good governance, but also fosters accountability.

We aim to ensure that our shareholders feel confident they have a voice in our board room. The McKesson Board of Directors takes shareholders’ views into account, both in terms of our governance today and also long into the future. For example, in 2017 McKesson has updated our political contributions policy to include additional Board oversight and public disclosure of our corporate political contributions on our [company website](#). In addition, the Board announced its decision to split the role of chairman and CEO in the future, commencing with the company’s next CEO. The Board will continue its practice of evaluating at least annually whether its leadership structure continues to be in the best interest of the company and its shareholders.

Between the 2016 and 2017 Annual Meetings, we engaged with institutional investors and pension funds representing more than 60% of the company’s outstanding common stock. We believe listening to the views of our shareholders will continue to be the cornerstone of our governance practices and in the best interest of our Board, the company and our stakeholders.

Our Board diligently exercises its oversight responsibilities with respect to the Company’s business and affairs consistent with the highest principles of business ethics and corporate governance requirements of federal law, state law and the NYSE. We highlight these practices on the next page.

Key Governance Attributes	
Strong Role for Lead Independent Director	Initially established in 2013, the role of Lead Independent Director has a robust set of duties and authorities under our Corporate Governance Guidelines. Details of this role are provided below.
Leading on Board Diversity	One-half of McKesson's 2017 director nominees are divers. Since 2002, women have held 3 of our Board's seats which represents one-third of our current nominees.
Annual Director Performance Evaluation	The Lead Independent Director conducts the performance evaluation of all Board members.
Annual CEO Succession Review	The Board is responsible for approving and maintaining a succession plan for the CEO and other executive officers. The annual CEO succession review is led by the Lead Independent Director and held in executive session of the full Board.
Leading on Proxy Access	A shareholder or shareholder group holding at least 3% of the company stock for at least 3 years may include in McKesson's proxy materials director candidates to fill up to 20% of available Board seats.
Shareholder Right to Call a Special Meeting	A By-Law amendment in 2013 established the right to call a special meeting of stockholders, for record holders who have held a net long position of at least 25% of the Company's outstanding shares for at least 1 year.
Disclosure of Political Contributions	McKesson believes that transparency and accountability with respect to political expenditures are important. Beginning in 2017, McKesson voluntarily discloses corporate political contributions and trade associations to which payments exceed \$50,000. The company also prohibits trade organizations from using corporate dollars for political purposes.
Risk Oversight	The Board as a whole and its committees devote significant time and effort to understanding and reviewing enterprise risks. This includes oversight of our company reputation as well as review of risks related to financial reporting, compensation practices, and cybersecurity.
Global Code of Conduct	McKesson's Code of Conduct, which describes fundamental principles, policies and procedures that shape our work and help our employees, officers and directors make ethical decisions, has been adapted and translated to apply throughout our global presence.
Corporate Governance Guidelines	McKesson's Corporate Governance Guidelines address various governance matters, consistent with NYSE listing requirements, including: director qualification standards; access to management and independent advisors; compensation; director orientation and continuing education; and management succession.
Independent Board	All directors, with the exception of Mr. Hammergren, are independent, consistent with NYSE requirements and our Corporate Governance Guidelines.
Other Investor-Friendly Practices	<ul style="list-style-type: none"> • Eliminated "poison pill" • Eliminated supermajority voting requirements • Majority voting standard for uncontested director elections • Declassified Board

- Our Board's commitment to diversity and inclusion: Diversity is important to our Board; currently, one-half of our Board seats are held by women and people of color. Our Board of Directors and management team have a long track record of advancing diversity throughout the organization. This record includes the creation of a diversity and inclusion organization more than ten years ago, followed shortly thereafter by the appointment of our first Chief Diversity Officer. Our Board of Directors routinely receives reports from management on McKesson's diversity and inclusion efforts. Learn more about McKesson's [diversity and inclusion efforts](#).
- Board oversight and review of sustainability and corporate responsibility practices: We recognize the increasing focus and importance surrounding environmental sustainability disclosure,

and we have proactively taken steps to provide our shareholders with insight into our environmental sustainability efforts. In our 2017 Proxy Statement and Supplemental Proxy Statement materials, McKesson disclosed an update on our environmental sustainability efforts; these materials were publicly filed with the U.S. Securities and Exchange Commission (SEC). In 2017, the Board also approved amendments to our Corporate Governance Guidelines to make clear that the Board has oversight of and reviews the Company's sustainability and corporate responsibility practices.

Detailed information about our corporate governance practices, including our by-laws, Corporate Governance Guidelines and directors' biographies, is available on our [company website](#).

Shareholders and other interested parties may communicate with any of our directors, including the Lead Independent Director, by addressing their correspondence to the Board member (or members) at:

c/o the Corporate Secretary's Office
McKesson Corporation
One Post Street
San Francisco, CA 94104

Email: LeadDirector@mckesson.com or
NonManagementDirectors@mckesson.com

Shareholders may also submit proposals to be voted on, if properly presented, at the company's annual meeting of shareholders. Additional details on how to submit a proposal are available in the company's annual proxy statement that is filed with the SEC. The proxy statement is available on our corporate website as well as the [SEC website](#). We typically announce preliminary voting results at the annual meeting of shareholders, followed shortly by the announcement of final voting results in a current report on [Form 8-K](#) that is filed with the SEC.

Stakeholder Engagement

As a company, our impact encompasses employees, customers, investors, partners, governments and communities. We engage with all of these stakeholder groups to understand concerns and issues, and gather their feedback. We also engage with internal business leaders, both through the reporting process and via our Corporate Social Responsibility Advisory Council.

In FY18, McKesson is conducting a formal materiality analysis to systematically assess and prioritize corporate social responsibility (CSR) topics. Through this analysis, we will help ensure that our CSR reporting and internal initiatives are aligned with what is most important to our business and our stakeholders.

In interacting with our stakeholders, we have identified several corporate social responsibility topics not addressed elsewhere in this report:

- ***Use of medicines for lethal injections:*** McKesson has contractual arrangements with some manufacturers that restrict the sale of certain medicines to certain customers, such as prison systems and others, for lethal injections. McKesson is committed to helping manufacturers implement their policies in this area. The needs and requirements of manufacturers vary; therefore, our contractual commitments, controls and processes also vary by manufacturer. McKesson has processes and systems to enable manufacturers to validate McKesson's performance against our contractual arrangements.
- ***Animal testing:*** McKesson does not perform animal testing, nor do we contract it out. We do not own molecules. Our role in clinical trials is to provide services to physicians to access clinical trials for humans.

About This Report

This report details McKesson's CSR efforts during FY17 (April 1, 2016 – March 31, 2017). The report is an annual publication. The previous FY16 report was published in September 2016.

McKesson is headquartered in San Francisco, California. During FY17, most of McKesson's annual revenue was generated in North America. While the scope of the FY17 report primarily reflects North America, our business description, ethics and governance sections reflect companywide practice, and we have expanded carbon emissions reporting to include Celesio data. Celesio, along with McKesson Canada and U.S. business units, is also part of our Community Heroes employee recognition program. This expansion of scope began with our FY16 report.

For more information about McKesson's operations, including joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can significantly affect comparability, please refer to the FY17 10-K, [McKesson's Annual Report](#).

The [Global Reporting Initiative \(GRI\) G4 Guidelines](#), internationally recognized sustainability and social responsibility reporting standards, help frame the information within this report. We have created this report in reference to the "Core" version of the guidelines, along with Specific Standard Disclosures identified as material. For additional questions about the report, please send an email to McKessonCorporateCitizenship@mckesson.com.

GRI Indicator	Description	Location within McKesson FY17 Corporate Social Responsibility Report	Additional Detail
G4-1	Statement from the most senior decision-maker of the organization	Letter from John Hammergren	
G4-2	Description of key impacts, risks, and opportunities	Throughout the report	McKesson FY 2017 Form 10-K
G4-3	Name of the organization	Throughout the report	McKesson FY 2017 Form 10-K
G4-4	Primary brands, products and services	Corporate Governance and Business Ethics, About McKesson	McKesson FY 2017 Form 10-K
G4-5	Location of organization's headquarters	Corporate Governance and Business Ethics, About McKesson	McKesson FY 2017 Form 10-K
G4-6	Number of countries where the organization operates	Corporate Governance and Business Ethics, About McKesson	McKesson FY 2017 Form 10-K
G4-7	Nature of ownership and legal form	Corporate Governance and Business Ethics, About McKesson	McKesson FY 2017 Form 10-K
G4-8	Markets served	Corporate Governance and Business Ethics, About McKesson	McKesson FY 2017 Form 10-K
G4-9	Scale of the organization	Corporate Governance and Business Ethics, About McKesson	McKesson FY 2017 Form 10-K
G4-10	Total workforce	Our Employees, Diversity and Inclusion	McKesson FY 2017 Form 10-K (total workforce) FY17 U.S. Diversity and Inclusion Report
G4-11	Percentage of employees covered by collective bargaining agreements	Not reported	
G4-12	Description of organization's supply chain	See Form 10-K	McKesson FY 2017 Form 10-K
G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership or its supply chain	Corporate Governance and Business Ethics, About McKesson	McKesson FY 2017 Form 10-K
G4-14	How the precautionary principle is addressed	Corporate Governance and Business Ethics, Public Policy	
G4-15	Externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes	Not reported	
G4-16	Memberships of associations and advocacy organizations	Business Ethics and Corporate Governance, Public Policy, Trade Associations	
G4-17	List of all entities included in the organization's consolidated financial statements or equivalent documents	Business Ethics and Corporate Governance, About This Report The boundary of the FY17 report is North America and Europe.	For more information about McKesson's operations, including joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can significantly affect comparability, please refer to the McKesson FY 2017 Form 10-K .
G4-18	Process for defining the report content and the Aspect Boundaries	Business Ethics and Corporate Governance, About This Report We define content by reviewing internal documents and our Form 10-K, benchmarking our reporting practices against industry peers, conducting a peer review of CSR reporting, and reviewing internal and external news releases. We continually engage our Corporate Social Responsibility Council and other internal business leaders to identify issues material to this report. The report was created with reference to G4 Core guidelines, and includes Specific Standard Disclosures identified as material.	

GRI Indicator	Description	Location within McKesson FY17 Corporate Social Responsibility Report	Additional Detail
G4-19	List all the material Aspects identified in the process for defining report content	We have included all Aspects that we reported in our FY16 report.	
G4-20	For each material Aspect, report the Aspect Boundary within the organization	All material aspects selected in this report apply to McKesson's operations in North America. Governance, compliance and ethics, stakeholder engagement apply to all of McKesson's operations. Our environmental sustainability strategies overlap across geographic regions, but are not identical.	
G4-21	For each material Aspect, report the Aspect Boundary outside the organization	We address a number of aspects that are material outside the organization, including public policy, governance, stakeholder engagement, community investments and environmental sustainability practices.	
G4-22	Effect of any restatements of information provided in previous reports and their reasons	We have restated our Scope 1 and Scope 2 emissions to reflect the availability of data from the following European countries: Austria, Belgium, Denmark, France, Germany, Ireland, Italy, Norway, Portugal, Slovenia, Sweden and the United Kingdom.	
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	In this year's report, we have provided both quantitative and qualitative reporting on environmental sustainability in Europe, and we expanded the scope to include a section on McKesson's response to the opioid crisis.	
G4-24	Provide a list of stakeholder groups engaged by the organization.	Corporate Governance and Business Ethics, Stakeholder Engagement	
G4-25	Report the basis for identification and selection of shareholders with whom to engage.	Internal experts were selected with consideration of material Aspects.	
G4-26	Organization's approach to stakeholder engagement	Corporate Governance and Business Ethics, Stakeholder Engagement	
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded	Not applicable.	
G4-28	Reporting period for information provided	April 1, 2016 – March 31, 2017	
G4-29	Date of most recent previous report	September 2016	
G4-30	Reporting cycle	Annual	
G4-31	Contact point for questions regarding this report or its contents	Please direct questions to McKessonCorporateCitizenship@McKesson.com .	
G4-32	"In accordance" option the organization has chosen and the GRI Content Index for the chosen option	This report was developed with reference to the G4 Core Option. The Content Index is included on these pages.	
G4-33	Policy and current practice with regard to seeking external assurance for the report	We do not currently have a formal policy for external assurance of this CSR report.	
G4-34	Report the governance structure of the organization and its composition, including committees responsible for decision-making on economic, environment and social impacts	Business Ethics and Corporate Governance, Corporate Governance and the Board of Directors	
G4-56	The organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	Business Ethics and Corporate Governance, Compliance and Integrity	McKesson's Code of Conduct
G4-EC1	Direct economic value generated and distributed	Our Employees, Better Health for Our Employees (employee benefits), Employee Volunteering and philanthropy (community investments), Business Ethics and Corporate Governance, About McKesson	McKesson FY 2017 Form 10-K (revenues)
G4-EC9	Proportion of spending on local suppliers	Corporate Governance and Business Ethics, Supplier Diversity	

GRI Indicator	Description	Location within McKesson FY17 Corporate Social Responsibility Report	Additional Detail
G4-EN6	Reduction of energy consumption	Environmental Sustainability, Our Facilities	
G4-EN8	Water withdrawal	Environmental Sustainability, Our Facilities	
G4-EN10	Total volume of waste recycled	Environmental Sustainability, Our Facilities	
G4-EN15	Direct Greenhouse Gas Emissions (Scope 1)	Environmental Sustainability, FY17 Greenhouse Gas Emissions Environmental Sustainability, Our Facilities	
G4-EN17	Other Indirect Greenhouse Gas Emissions (Scope 3)	Environmental Sustainability, FY17 Greenhouse Gas Emissions Environmental Sustainability, Business Travel	
G4-EN19	Reduction of Greenhouse Gas Emissions	Environmental Sustainability, FY17 Greenhouse Gas Emissions	
G4-EN29	Monetary value of significant fines and total of non-monetary sanctions for non-compliance with environmental laws and regulations	Environmental Sustainability, Environmental Compliance	
G4-LA1	Total number of new employee hires	Our Employees, Creating Opportunities for Success	
G4-LA2	Benefits provided to full-time employees	Our Employees, Better Health for Our Employees and Creating Opportunities for Success	
G4-LA6	Type of injury and rates of injury by region, including injury rate and lost day rate	Our Employees, A Safe, Secure and Healthy Work Environment	
G4-LA9	Average hours of training per employees per year, and by employee category	Our Employees, Creating Opportunities for Success	
G4-LA10	Programs for skills management and lifelong learning	Our Employees, Creating Opportunities for Success	
G4-LA11	Percentage of employees receiving regular performance and career development reviews	Our Employees, Creating Opportunities for Success	
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Our Employees, Diversity and Inclusion Corporate Governance and Business Ethics, Corporate Governance and the Board of Directors	FY17 U.S. Diversity and Inclusion Report
G4-PR1	Product and service categories for which health and safety impacts are assessed	Please see our company website	http://www.mckesson.com/pharmacies/pharmaceutical-ordering-and-packaging/pharmaceutical-supply-chain-security/
G4-PR8	Customer privacy and customer data	Health IT plays a critical role in improving the quality, safety and cost-effectiveness of care. We support policies that promote the development of solutions that help to minimize medical errors, and continue to protect patient safety and privacy. We also advocate that software be defined and regulated in a way that fosters innovation while ensuring product and patient safety.	
G4-HR6	Measures taken to contribute to the elimination of forced or compulsory labor	Our Supply Chain, Modern Slavery Act	UK Modern Slavery Act Statement
G4-SO4	Communication and training on anti-corruption policies and procedures	Business Ethics and Corporate Governance, Compliance and Integrity	
G4-SO6	Total value of political contributions	Please see our company website	http://www.mckesson.com/Documents/About-McKesson/Public-Affairs/2016-17-Corporate-Political-Contributions/