



McKESSON

2017 Diversity & Inclusion

U.S. Annual Report

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A Message from John H. Hammergren

Chairman, President and CEO, McKesson

As a leader in an industry undergoing a dynamic transformation, it makes sense that change is a big part of life at McKesson. That was especially true in Fiscal Year 2017 (FY17) as a major headline for the year was the creation of a new healthcare company by merging our McKesson Technology Solutions with Nashville-based Change Healthcare. It is an exciting new player in the world of healthcare technology and provides great opportunity for the McKesson employees who joined the new company.

McKesson also continued to expand its market leadership with the acquisition of several companies in key areas of healthcare, including specialty, retail pharmacy and pharmacy technology. With those acquisitions, we gained new solutions, new talent and new perspectives.

As we focus on delivering better health by strengthening our partnerships with customers and manufacturers, we know that our people are our greatest asset. And that our ability to thrive in times of change is due in large part to the diversity of our workforce. That's why through the hard work and

commitment of our Diversity & Inclusion team, our Chairman's Diversity Council, our business units, and our Employee Resource Groups, McKesson continues to advance our diversity and inclusion as a primary business priority.

I am proud that we achieved our fourth straight year of scoring 100% on the Human Rights Campaign's Corporate Equality Index, our first year of being ranked a Best Place to Work for People with Disabilities by the Disability Equality Index® and our third year as a Military Friendly® Employer by GI Jobs®. These achievements recognize our commitment to provide a healthy and inclusive environment for all employees.

We know that our industry and our company will continue to evolve and change and that McKesson will evolve and change as well, always guided by our core ICARE and ILEAD values. With a diverse and inclusive workforce, we will continue to successfully deliver better health for our customers, our employees and our business.



A Message from Janice Little

Vice President of Diversity & Inclusion, McKesson

What drives the people of McKesson is a focus on improving lives. It starts by building strong relationships — not only with the manufacturers, pharmacies, providers and health systems that patients depend on — but also with each other.

During a year of significant change, McKesson reinforced our commitment to fostering a diverse and inclusive workplace. In fact, FY17 drove home for me why I am so proud to be part of this company: we kept the work and the conversations going, because our businesses see the value of Diversity.

Our Diversity Blueprint strategy empowers our business leaders to better understand their workforce, to identify where progress needs to be made and to forge a roadmap toward tangible, measurable success.

We've made progress for Women and People of Color representation, while continuing to advance inclusion in our workplace. We've also exceeded our retention goals and increased participation in our Executive Leadership Council, which is a transformative program that exposes leaders to perspectives and experiences of African Americans in corporate leadership positions.

Through the hard work of a growing number of volunteer members, our Employee Resource Groups (ERGs) continue to contribute to this work in substantial ways. Their FY17 achievements include ASPIRE's new Professional Development Program, OWN IT's support to establish McKesson's Parental Leave policy and the launch of our newest ERG focused on disability. In addition, and in partnership with the MMRG, our commitment to improving our representation of Military Veterans remains strong, which you can learn more about in the MMRG Annual Report.

While we anticipate more changes in FY18, we are focusing our efforts on integrating Diversity & Inclusion more fully into our HR processes and into other parts of our organization. Thanks to the continued leadership from our businesses, our strong Diversity Blueprint strategy and the increasing engagement of employees across our organization, I am confident we will continue to improve the Diversity of our workforce representation and deepen our culture of Inclusion.

McKesson U.S. Workforce Increases Diversity

We believe a diverse workforce is a fundamental building block for creativity and innovation.

As an enterprise, we've made progress on our diversity since we implemented the Diversity Blueprint Strategy in 2014. This is true despite the reduction in the size of McKesson's U.S. workforce.

Total U.S. Workforce



Women: 53%

U.S. Demographic Census Data: 51%

Men: 47%

U.S. Demographic Census Data: 49%



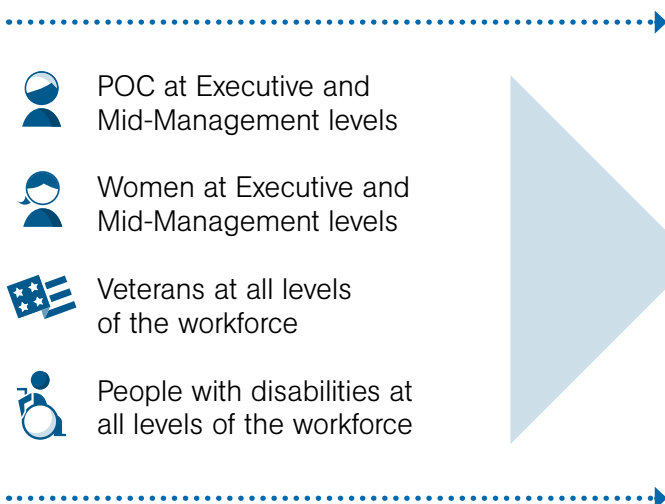
People of Color (POC): 35%

U.S. Demographic Census Data: 33%

White: 65%

U.S. Demographic Census Data: 67%

Diversity Blueprint Strategy:



Drivers:

- 1 Increase diversity on external interview slates
- 2 Focus on POC and women development and engagement
- 3 Focus on military engagement and retention
- 4 Drive more national consistency in slating people with disabilities
- 5 Increase scorecard accountability measure to focus on market parity

The Diversity Blueprint provides enterprise-wide visibility and clear metrics. It enables McKesson's leadership to make progress on reaching market parity for key historically underrepresented populations at critical leadership levels.

In FY17, we saw gains with People of Color in Executive Roles (Senior Vice President, President and Officer) nearly reaching market parity and more women and People of Color in Middle Management positions (Director, Senior Director and Vice President). There is still more work to be done in all areas and the Blueprint keeps us focused.

Improvement since FY14

Executive POC

Representation

▲ **50%**

Promotion

▲ **108%**

100%

retention in FY16 *

Executive Women

Representation **

▼ **3%**

Promotion

▲ **148%**

100%

retention in FY16 and FY17 *

Mid-Level POC

Representation

▲ **20%**

Promotion

▲ **6%**

Mid-Level Women

Representation

▲ **6%**

Promotion

▲ **18%**

Military

Representation

▲ **46%**

Promotion

▲ **60%**

Hires

▲ **119%**

Disability

Representation ***

▲ **32x**

* These statistics refer to retention after voluntary departures. Not inclusive of reductions in force, divestitures or other involuntary occurrences.

** Decline in representation resulted from higher than normal voluntary attrition in FY15. Voluntary attrition dropped to zero and representation improved 4%.

*** This statistic is based on our self-identification initiative, Make It Count, launched in FY15 as part of the 503 regulations.

Businesses Take the Lead on Diversity & Inclusion

We believe that McKesson's relevance depends on our collective ability to provide a unique response to the changing marketplace.

At McKesson, Diversity & Inclusion has shifted from a corporate-led to a business-led endeavor, which embeds diversity and inclusion more deeply into the fiber of our organization. Here are some stories from around the organization.

D&I has created a reflex that if I am looking at a slate, I ask, "Why is there no diversity there? Did we not build the bench or did we not have the outside networks with the diversity we need?"

Nick Loporcaro, President, McKesson Specialty Health



If we are going to make progress, the leadership has to be asking questions. They have to be accountable.

Mark Walchirk, President, U.S. Pharmaceutical

Medical-Surgical, U.S. Pharmaceutical and McKesson Corporate Get Strategic

Several business units took the initiative to undergo a Diversity Blueprint Assessment, which clarifies and uncovers key areas of opportunity in workforce representation.

Following the Assessment, **Medical-Surgical** created a three-year strategic plan that includes building an infrastructure for their talent acquisition process. The internally designed plan supports the business in achieving its diversity representation and advancement goals. This new infrastructure puts more focus on developing leaders from within McKesson rather than relying heavily on the external market. As a result of their commitment and these efforts, Medical-Surgical achieved their diversity and inclusion goals for FY17.

D&I is synonymous with continuous improvement and innovation. Just having a diverse person on the slate or on your team is not enough. To make progress, we must reinforce the conversation at all levels.

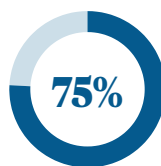
Stanton McComb,
President, Medical-Surgical

Tracy Faber realized that HR was carrying the diversity and inclusion conversation too much, which inspired her to take a different approach for **U.S. Pharmaceutical and Corporate**, both of which she oversees as SVP of Human Resources. She gathered a small team to launch a new Diversity and Inclusion Steering Committee (DISC). DISC provides strategic oversight and implementation support for these organizations.

If I could get each leader to make one different decision that supports our D&I efforts and that benefits the business, we win.

Tracy Faber, SVP HR, U.S. Pharmaceutical
and McKesson Corporate

With guidance and support from DISC, these organizations built customized D&I action plans for each department. They also held three Diversity Summits to engage more than 140 leaders in meaningful conversations that inspired them to own, act, ideate and engage in diversity and inclusion.



of the Carrollton Diversity Summit attendees said they would recommend the event to a colleague.





Business Leadership Takes D&I Development Personally

Participating in organizations like the National Association of Asian American Professionals (NAAAP) gives us the opportunity to hear best practices and set new benchmarks for ourselves. It supports us in becoming more sophisticated ERG leaders, and it helps build our brand in diverse communities.

Elizabeth Hsieh, Enterprise & Corporate Privacy Director
and PAVE National Co-Chair

While the Blueprint Assessments provide clarity on each business unit's workforce representation, our work is also accelerating because of the personal commitment to diversity on the part of our business leaders.

Through McKesson's involvement with national programs that focus on underrepresented populations, such as Executive Leadership Council (ELC), Women in Leadership (WIL) and National

Association of Asian American Professionals (NAAAP), leaders are having personal experiences that shape their thinking and inspire their passion on diversity. Many of these leaders have stepped up to sponsor ERGs, voluntarily raise their own personal accountability for diversity goals and find new ways to drive diversity and inclusion results in their business units.

Spotlight on Executive Leadership Council (ELC)

Beginning in 2014, McKesson has partnered with ELC, a national organization for the development of global African American leaders that offers leadership and professional development programs and seminars designed for African American leaders at different stages of their career. In FY17, McKesson leaders participated in:

Strengthening the Pipeline

a five-day leadership development program for Executives

Mid-Level Manager's Symposium

a two-day professional development seminar for Mid-Level Managers

Bright Futures

a three-day program for early career talent

FY17 ELC Participation At-A-Glance

- 24** participants
- 13** women
- 11** men
- 9** different business units
- 3** different ELC programs

It made me feel like I was not on an island by myself and I walked away feeling more powerful and optimistic about my future at McKesson.

ELC Event Participant

ELC Participant Feedback



are extremely likely or likely to recommend their program to a colleague and strongly agree or agree that their ELC program was an effective use of time



Employees Advance an Inclusive Culture

Diversity alone is not enough. Inclusion requires proactive, intentional commitment.

At McKesson, we recognize that our ability to recruit, hire and retain diverse employees depends on how inclusive our culture feels to all employees. The stronger the sense of belonging employees feel, the higher their engagement and the more likely they are to stay and thrive at McKesson.

Employee Opinion Survey (EOS) Shows People of Color Employees More Engaged than McKesson Overall

Our Employee Opinion Survey (EOS) helps us measure the inclusiveness of our culture. It gives us a deeper understanding of how different populations are feeling about working for McKesson.

Our most recent EOS shows that employees from underrepresented populations, and particularly People of Color, generally feel more engaged than their non-POC colleagues despite major organizational changes we saw in FY17.

Areas of engagement where POC employees are statistically higher as compared to the McKesson average

5% higher

This organization inspires me to do my best work every day.

4% higher

This organization motivates me to contribute more than is normally required to complete my work.

3% higher

Given the opportunity, I tell others great things about working here.

3% higher

I would not hesitate to recommend this organization to a friend seeking employment.



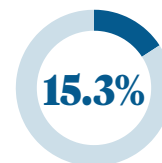
Employee Resource Groups (ERGs) Support Our Business and Engage Our People

I love to see people use their passion for an ERG to build confidence and leadership skills. It has been humbling and amazing to help build PAVE leadership teams and then watch them begin to open up, showcasing talent they may not have even known they had.

Elizabeth Hsieh, Enterprise & Corporate Privacy Director and PAVE National Co-Chair

More and more employees from across our organization are volunteering their time to be members of our Employee Resource Groups, which are our primary tool for D&I engagement. ERGs provide networking, professional and career development opportunities, give back to our communities and continually find new ways to help our business and our people thrive.

ERG Growth



of our U.S. employees are members of ERGs
Up 1.3% YOY

37

ERG chapters across the US
Up 28% YOY

Two years ago, a recent mentee, who was unclear of her career direction, joined the PALMa National board. She has flourished, receiving a promotion and working toward an MBA. It's a great example of someone growing and developing in this type of environment.

Christina Arellano, VP, Process Improvement & PMO and PALMa National Chair

Who Leads Our ERGS?

Our National Executive Sponsors volunteer their time and come from different business units, including:

- U.S. Pharmaceutical
- Enterprise Information Solutions
- Corporate Human Resources

- McKesson Pharmacy Technology and Services
- General Counsel Organization

Who Are Our ERGS?



ASPIRE

Together we aspire, together we achieve

Provides professional development and growth opportunities to African-Americans/Blacks, aids in the recruitment and retention of quality employees, supports diversity awareness activities, and serves as a volunteer resource for relevant, positive events in local communities.



MMRG

McKesson Military Resource Group

Creates opportunities for all employees to recognize and welcome veterans and their families to McKesson. MMRG also provides social and professional networking opportunities, facilitates personal and professional development, supports McKesson's recruitment, hiring and retention of veterans, and participates in or sponsors veteran and active-duty military related events within our communities.



OWN IT

Outstanding Women Networking,
Inspiring and Taking charge

McKesson's first ERG, OWN IT works to make McKesson a top employer of choice for women by promoting the development and advancement of a world-class female workforce.



PALMa

Professional Association of Latinos
at McKesson

Creates and supports opportunities in career development and community outreach while also deepening camaraderie at McKesson.



Emerging Professionals

Employee Resource Group

Focuses on educating and empowering early career, career change and millennial professionals by connecting them to valuable people and resources, helping them develop personally and professionally and solving issues related to their overall retention and engagement.



OPEN

Advancing LGBT & ally employee
inclusion to strengthen McKesson

Supports the overall goals, objectives and initiatives of McKesson to be a prominent employer of choice for LGBT people and allies. OPEN also has established its own Policy Team that collaborates with D&I and McKesson's Public Affairs to monitor proposed/existing legislation that could significantly impact the LGBT community.



PAVE

Pan-Asian Voices for Excellence

Provides professional development through which it fosters business excellence by harnessing strengths found in diverse backgrounds, building cultural awareness and engaging in community events.



ABILITY

Our brand new disability-focused ERG works to empower and connect employees to reach their full potential through inclusion and full-spectrum accessibility for people with disabilities and caregivers.

ERGs in Action

Introducing our Newest ERG

We have a new ERG for employees living with a physical or cognitive disability and those who support the disability community.

The U.S. Department of Labor statistics show that just 17.5% of people living with disabilities were employed in 2015 compared to 65% of the rest of the population. Creating an inclusive culture supported by accessibility is important as McKesson works to grow our population of employees with disabilities.

Both Executive Sponsor Chris Smith (SVP, Distribution Operations for U.S. Pharmaceutical) and national ERG Co-Chair Robert Patman (SVP, Operations for U.S. Oncology Network, McKesson Specialty Health) were inspired to volunteer their leadership by their family members with disabilities. They and co-chair Aaron Bone (Senior Director, Transfer Pricing for McKesson Corporate) want to help create a better work environment for others with similar experiences.

I see the everyday impacts disabilities have on individuals and families and I want McKesson to be part of the solution.

Chris Smith, SVP, Distribution Operations U.S. Pharmaceutical and Executive Sponsor

My son Teddy has Down syndrome. I believe this group can help make McKesson a more inclusive environment for people like my son, who face challenges in the workplace.

Robert Patman, SVP, Operations U.S. Oncology Network,
McKesson Specialty Health and ERG Co-Chair

Working with our new ERG to attract, engage and include employees who have disabilities (as well as their supporters) makes me proud to work at McKesson and continue the fight to reduce ongoing stigmas and discrimination.

Aaron Bone, Senior Director, Transfer Pricing, McKesson Corporate and ERG Co-Chair

ERGs Smooth U.S. Pharmaceutical's Move to Las Colinas, TX

When U.S. Pharmaceutical decided to relocate its headquarters from San Francisco to Las Colinas, Texas, they recognized the risks to their workforce representation. They worked closely with Talent Acquisition and Diversity & Inclusion, using analytics to understand the level of risk.

The ERGs contributed their time and passion to help minimize that risk by building an ambassador

program to help underrepresented populations feel welcome as they visited Las Colinas to consider the move. The ERG members worked to connect these employees with local employees who share similar interests.

Those who decide to move to Dallas will know just whom to call when they arrive.

I spent an evening with an employee and her family driving them around neighborhoods. We stopped off at a couple of Asian stores, and I took them out for some Texas BBQ at one of Dallas' top smokehouses. At the end of the night, they were excited about their move to Dallas!


Shirley Yu, Director of Financial Operations Supplier Services
and PAVE Local Chair, Las Colinas



OWN IT Makes a Difference for Parents across McKesson


McKesson's ERG for women's careers was instrumental in propelling McKesson to the top of the healthcare industry with our new parental leave policy. The policy, which includes same-sex couples and adoptive parents, went into effect on January 1st of 2017. It gives primary caregivers of either gender 6 weeks paid leave to bond with their baby. Secondary caregivers of either gender receive 2 weeks paid leave. New mothers receive a total of 12 paid weeks, which includes maternity and parental leave.

OWN IT stepped up when a membership survey showed that parental leave was a top issue for women employees. Together with the OPEN ERG for LGBT employees and their allies, OWN IT board members consulted with Gerri Burrue, VP, Benefits and her team who put together a proposal that addressed this issue in a way that would better serve employees and make McKesson a more desirable employer for women and people with families. The Chairman's Diversity Council, hosted by McKesson CEO John Hammergren, approved the policy.



I felt lucky I was able to take three months off after my daughter's birth and grateful I could afford to take unpaid leave. But I know many families can't afford to do that. This new policy is a visible signal to me that McKesson is truly a family-friendly company that supports employees through important transitions.

Julia Hammac, VP, Health Mart Strategy, U.S. Pharmaceutical



As a father, I understand the importance of taking time to care for and bond with a new infant or child. Supporting the bonds our employees have with their families means supporting their happiness, their physical and mental health and their career success.

John H. Hammergren, Chairman, President and CEO, McKesson



McKesson Wins with Diversity & Inclusion

Inside McKesson we can see all of our contributions to our Diversity & Inclusion strategy are paying off for our customers, our people and our business. We're not the only ones noticing our accomplishments. Here are a few of the acknowledgments we received for this work in FY17.



100% score for the 4th year in a row.



Best Place to Work for people with disabilities by the Disability Equality Index.



Our ERG Council was recognized for its **outstanding contribution to furthering our diversity** by the Association of ERGs and Councils of Prism International, Inc.



Military Friendly Employer for 3 years in a row by GI Jobs.



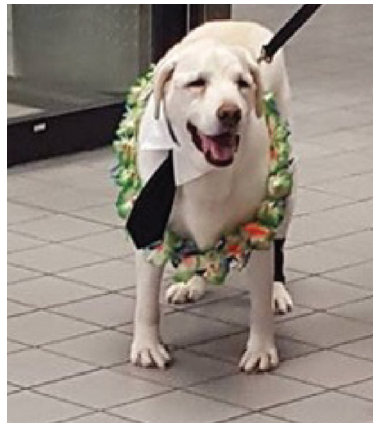
One of the **50 BEST COMPANIES** for Diversity by Black Enterprise.



McKesson Executive Banshi Nagji was honored by the Financial Times as one of their **"100 Ethnic Minority Leaders."**

D&I is critical to our success and inclusion is as important as representation. We are creating a workplace where everyone can come and be their full self. I love being surrounded by people committed to ICARE who look very differently from each other. They bring life experiences into the workplace that enrich us all.

Jorge L. Figueredo, EVP, Human Resources, McKesson



McKesson Corporation

One Post Street
San Francisco, CA 94104

www.mckesson.com