



# Improving healthcare, improving our world

McKesson's Fiscal 2020 | Corporate Responsibility Report





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## A letter from our CEO

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Today, being a leader in any industry requires more than strong business performance; it demands purpose, the commitment to serve the needs of a broad range of stakeholders, and the desire to utilize our strengths for a greater good to bring about positive change in the communities where we live and work.

At McKesson, everything we do is centered around this philosophy. Our purpose and sense of responsibility takes on a greater meaning now as we combat a global healthcare crisis. Seemingly overnight, our world changed. And with a renewed sense of urgency and intensified focus, we partnered with thousands of our customers and coordinated closely with regulatory authorities and other leading companies to bring personal protective equipment, medications and essential supplies to healthcare facilities and first responders around the globe. As we worked to rapidly respond to the COVID-19 pandemic, we amplified our efforts in many areas to help ensure we were meeting the needs of all those who depend on us. While these circumstances may be uncharted, our approach is consistent with what we have always done: Working every day to advance the health of all people, all communities, and our planet.

### *Responding to COVID-19*

As the first cases of the virus were confirmed across the globe in the fourth quarter of our fiscal year, we jumped into action to help protect the health and safety of our employees and their families, while maintaining our critical role in keeping the healthcare supply chain strong to meet the evolving needs of our customers and the patients they serve.

As economies began to shut down in March, we moved quickly to award more than \$30 million in special one-time bonus payments to recognize the hard work of our employees on the front lines and bring some comfort to their families. Additionally, we supported our employees and communities impacted by the COVID-19 pandemic with grants and additional financial help from McKesson's "Taking Care of Our Own" Fund and the McKesson Foundation.



## A letter from our CEO



**“Today, being a leader in any industry requires more than strong business performance; it demands purpose, the commitment to serve the needs of a broad range of stakeholders, and the desire to utilize our strengths for a greater good to bring about positive change in the communities where we live and work.”**

### *Supporting inclusion, diversity and equal opportunity*

As an organization, we are dedicated to doing our part to eliminate bias and promote equality, justice and fairness in the world. And we’re deepening our longstanding dedication to inclusion, diversity and equal opportunity in the workplace.

In 2020, we advanced more diverse leaders into our executive ranks, as well as in roles at all levels of the organization. We also took time to reflect and engage in courageous conversations to seek understanding and empathy and, most importantly, create a solid foundation to take action and accelerate our efforts. Inclusion is fundamental to our values as a company, and while there is more work to do, McKesson is fully committed to be a place where our employees are valued and appreciated for bringing their true and authentic selves to work.

In addition, we were recognized for the seventh consecutive year as one of the “Best Places to Work for LGBTQ Equality” by the Human Rights Campaign (HRC) Foundation; for the fourth year in a row as a “Military Friendly Employer” by GI Jobs; and as a “Best Place to Work” for Disability Inclusion on the Disability Equality Index for the fifth consecutive year.

### *Advancing environmental stewardship*

McKesson is also proud to have made considerable progress on our journey to minimize our impact on the environment through our efforts to use renewable energy sources and promote sustainable business practices.

With a focus on energy consumption and efficiency, we completed the switch to green energy in our facilities in Belgium and Ireland. We also expect to realize a 40 percent reduction in lighting electricity usage through our expansion of LED lighting across our distribution centers, pharmacies and offices.

As of 2020, eight of our U.S. facilities have achieved Leadership in Energy and Environmental Design (LEED) certification. We also entered into a contract to purchase local, physical renewable energy for most of McKesson’s locations in Texas. This two-year agreement, which takes effect in 2022, will provide nearly 40 million kWh to power our McKesson headquarters in Las Colinas, Texas and other facilities in the Houston and Dallas area.

### *Looking ahead*

As we look to the future, one thing is clear: We can’t do this work alone. This is why I’m also pleased to share that – just as we are publishing this report – McKesson has joined the United Nations (UN) Global Compact and we are committed to making progress against the UN Sustainable Development Goals. This important initiative provides a universal language and common framework to help businesses unite and collaborate on corporate responsibility efforts. Working in alignment, we can bridge the gap between business performance and social impact and build a sustainable, inclusive global economy in which both business and society can thrive.

I could not be more proud of our team, the progress we’ve made together in 2020 and the purpose that guides us today, tomorrow and beyond. This report is a testament to our unwavering commitment to live our values in support of our customers, our communities and each other — and to drive environmental action to protect the health of our economy and our planet for generations to come.

**Brian Tyler**

*Chief Executive Officer, McKesson Corporation*

## A message from our VP

### It is undeniable that the world has changed over the last year.

The world is facing unprecedented social, environmental and economic challenges. Lives across the globe have been impacted in unimaginable ways. And while the concepts are not new, the need for companies to think bigger picture, collaborate, and innovate — and to do all of this with empathy and grace — has never been so important. While we're all on a journey as individuals to navigate this humbling, sometimes overwhelming landscape, so are companies and organizations.

This momentum, this sense of urgency, this journey, is alive and well at McKesson too. We are proud of our strong foundation and commitment to the health of individuals, communities, our planet and business, yet we recognize the changing world, and our responsibility as a leader in healthcare, to do more.

This report outlines our FY20 progress, stories, actions and approaches to corporate responsibility. It demonstrates our thorough and balanced commitment to all our stakeholders — employees and patients, customers, suppliers, communities and shareholders. As the expectations of each of these groups continue to rise, we intend to do our part. And so, throughout FY21, we're eagerly entering the next phase of our journey — a phase of amplified focus and action on social and environmental issues. Leaning on the strength of our

business, our brand, our partners, and the genuine passion of our employees and communities, we believe there is untapped value we can — and will — bring for the sake of a greater good.

For those on the front lines of social, environmental and economic challenges, we thank you for your courage and commitment. At the end of the day, we're all in this together, and the opportunity to improve healthcare, and our world, is ours to take.

*C. Garber*

**Cassandra R. Garber**

*Vice President, Sustainability & ESG*



***“For those on the front lines of social, environmental and economic challenges, we thank you for your courage and commitment.”***



# COVID-19 response

## Protecting our greatest assets: Employees and our communities

As one of the world’s largest healthcare companies, we play a critical role in making medications and supplies available to customers and patients when they need them most. When news of the COVID-19 pandemic began to crystalize in early 2020, experts at every level within our organization mobilized to protect all our stakeholders, especially because we knew the potential for drug shortages or supply disruption would be of great concern to our customers.

Our teams have worked tirelessly to address new developments as they occur, and are in close contact with regulatory authorities around the world to ensure we are well prepared to address our customers’ evolving needs, so that they can, in turn, care best for their patients.

### Protecting Our Employees

Our employees are the backbone of our business. During this unprecedented time, our priorities have been, and continue to be, to protect their health and safety. Many of our employees are on the frontline playing a critical role in helping to ensure that healthcare supplies and medicines are available for patients and healthcare providers on the frontlines treating this pandemic.

Our teams ensured resources were made available to our employees, including extended medical benefits covering COVID-19 related visits, treatments and testing, expanded telehealth options allowing employees to receive care from the safety and comfort of their home, and emergency paid



## COVID-19 response

time off (PTO) and a PTO donation platform for employees impacted by COVID-19.

Additionally, McKesson awarded approximately \$30 million in special one-time bonus payments to recognize frontline workers and other staff for their hard work during this time. In addition, we supported our employees and communities impacted by the COVID-19 pandemic with grants from the McKesson Foundation and investments in McKesson’s Taking Care of Our Own Fund.

*We wanted to remove as many obstacles as we could to help our employees get the healthcare and support they needed during this difficult time.*

— Lauren Brambila, Benefits Program Manager, McKesson

### **A Coordinated Effort: Employees Draw on Military Experience to Quickly Deliver PPE Amid Global Pandemic**

Amid shifting our operations virtually, our team took on an even bigger job — helping the federal government get critical personal protective equipment (PPE) into the U.S. supply chain and in the hands of frontline workers.

As part of that effort, McKesson was proud to collaborate with the Federal Emergency Management Agency (FEMA) on Project Airbridge, which was created to expedite the shipment and delivery of PPE and other critical supplies to those who needed them most — people on the frontlines of this pandemic. McKesson’s experience distributing essential healthcare supplies and its strong supplier relationships were assets in the effective distribution of vital products to facilities providing critical patient care.



The McKesson team worked with FEMA to operationalize PPE shipping, transitioning from ocean freight to air freight. This shortened the amount of time necessary for PPE to travel from overseas into the United States and then into the hands of healthcare workers. Our Global Supplier Operations team devoted many hours to this imperative project, with some team members leaning into their prior military experience to take on the unique challenges Project Airbridge aimed to address.

As one global product development manager with a decade of experience in Air Force logistics put it: “We were able to understand the need for urgency and detail. We were trained for this. We live for the mission. It made the long hours easier and more rewarding.”

Another global supplier operations executive — a 26-year military veteran — emphasized the importance of McKesson’s work on Project Airbridge: “The expedited arrival of the PPE has played a big part in bridging the demand gap by using air freight, getting critical supplies to the U.S. in two to three days versus 30 to 40 days. The PPE items help protect our healthcare providers on the frontlines and better equips them while they attend to the American people.”



McKesson awarded approximately \$30 million in special one-time bonus payments to recognize frontline workers and certain other staff for their contributions.



McKesson changed its distribution timeline and channels to get critical supplies to the U.S. in two to three days versus 30 to 40 days.

## Inclusion and diversity

### Enhancing a culture of inclusion and driving accountability

What differentiates one neighborhood from the next? It's the sum of the parts – its people. At McKesson, our people set us apart – creating and maintaining an inclusive culture where everyone brings their authentic self to work. Here, we're committed to creating a more diverse and inclusive workplace because having diverse teammates and an inclusive work environment makes us a stronger, more creative, and more aware team.

The Executive Readiness Program, which is designed to accelerate the best bets in our pipeline, was launched in June 2019. The program is making good progress as we've also continued to execute our approach to strategic pipelining, diverse slating and competitive searching to identify top talent externally.

We aim to continuously push one another's thinking, challenge long-held beliefs and assumptions, and leverage our diversity to explore uncharted areas. In 2019, McKesson focused on accelerating our pipeline, enhancing our culture of inclusion and driving accountability for outcomes. Understanding that leaders create the culture which all our employees maintain, we brought more than 630 people leaders together from across 10 of our largest locations, for an open and honest conversation with McKesson senior and executive leaders on what inclusive leadership means to them.

While the businesses have hosted similar summits, this was the first-ever enterprise-wide Inclusion & Diversity summit for McKesson, where commensurate content was discussed across

the enterprise at the same time. It was during that summit, where the collective group dove into work around McKesson's view on inclusive leadership, focusing on four key elements: belonging, voice, objectivity, and growth. These elements can now be found in an official training within our learning and development curriculum. As a matter of fact, it has become one of the most popular – as quickly as we add new classes, they are filled by employees wanting to build their cultural intelligence.

"I hosted the 2019 Inclusion & Diversity Summit for our Alpharetta, Ga., office. As a person of color, what I found most inspiring was seeing leaders be vulnerable and collectively acknowledge that fostering an inclusive culture starts with them," said Lance Dorsey, Senior Manager, Inclusive Hiring & Vendor Management and McKesson Open ERG Atlanta Chair. "There was incredible open and honest dialogue around race, gender, equity and acceptance. In retrospect, what makes this so profound is McKesson was leading these conversations before the social unrest of 2020, not in response to it."

This summer, in the wake of the social and racial justice movements that swept the country, McKesson took an inward look, knowing the first step toward change starts from within. Our CEO, Brian Tyler, hosted a webcast where we unveiled our new Inclusion Action Framework, which enabled McKesson to say to all of our employees that while this may be uncomfortable for some, we are Team McKesson and when one of us is hurt, all of us must engage — we must have the uncomfortable conversations to learn, grow and ensure that bias is not interfering with our ability to make decisions — and more importantly, that we stand up to things we see that aren't supportive of our inclusive culture.

In 2019, McKesson focused on accelerating our pipeline, enhancing our culture of inclusion and driving accountability.





## Inclusion and diversity

“I couldn’t be prouder of how Team McKesson responded to the impact of the death of George Floyd and the subsequent uprising for racial justice,” said Traci Dunn, McKesson Vice President, Inclusion, Diversity and Corporate Impact. “We started with a focus on our people, which included internal webcasts along with the launch of the Inclusion Action Framework, which enabled us to say very publicly to our Black employees, we see you. We hear you. We value you. We are not oblivious to, or unmoved by, your pain. This framework gives

all of our team members an organized way to take action and continue to bring about the change we need.”

It is critical that we continue to cultivate an environment where we can empathize, learn from each other and truly understand our different experiences and how they impact us. Our intent for the future is to validate the elements of our strategy that are leading to improved outcomes, and identify things we can do differently to eliminate barriers and accelerate those outcomes.

**“I couldn’t be prouder of how Team McKesson responded to the impact of the death of George Floyd and the subsequent uprising for racial justice.”**

— Traci Dunn  
Vice President, Inclusion, Diversity and Corporate Impact

## Renewable energy journey

### A renewed focus on renewable energy

Each day our business operations and individual actions have a direct impact on the world we live in. Communities thrive in a healthier environment, which is why we're committed to establishing new environmental best practices across McKesson businesses and increasing our efforts to use renewable energy sources.

Several of our European locations are equipped with solar installations. In Belgium and Germany, for example, we produced around 760 kWh solar energy during FY20. Other countries follow this example: in Vienna, Austria, a new photovoltaic system was recently put into operation, which supplies parts of the local warehouse with its own electricity. In addition to solar installations, we have also completely switched to green energy in Belgium and Ireland. With this, we take responsibility as a company and significantly lower our carbon footprint.

#### *Leveraging Wind Power in the Lone Star State*

McKesson recently made a significant step in its corporate sustainability objectives by entering into a contract to purchase local, physical renewable energy for most of the company's locations in Texas. The two-year agreement provides nearly 40 million kWh of energy primarily sourced from the Foard City Wind Farm in Foard County, Texas, along with the concurrent Renewable Energy Credits (RECs) from the site. It will power facilities in the Houston and Dallas areas, including our headquarters building in Irving, Texas, beginning in 2022.

#### *Investing in Our Employees' Wellbeing*

CoverMyMeds, a McKesson business unit, is making sustainability a priority at its new Columbus, Ohio campus.

At the new campus the use of efficient fixtures is just one way we plan to save nearly 600,000 gallons of water each year. The buildings will be powered with renewable sources — saving nearly 1,700 barrels of oil and preventing 395 metric tons of carbon dioxide from entering the atmosphere each year. This puts our campus on track to achieve LEED and WELL certifications.

It's not just about utilities; wellness is equally important. For example, the paint, carpet and materials used throughout the campus are checked for toxins and air quality will be monitored routinely. The campus will also have a 2,000 square foot in-house fitness center, every employee will have a sit-stand desk, and each workspace offers quick access to the outdoors.

Furthermore, the on-site culinary team will continue to provide healthy and nutritious meals and snacks. And, there are plans for a 1,500 square foot outdoor garden where our employees can grow vegetables and herbs.

“So much of earning a WELL certification has to do with food and the healthiness of that food,” said Lars Johansson, director of campus operations, CoverMyMeds. “We're able to achieve our WELL goal because of the strength of our culinary team.”

Our sustainability efforts continue beyond our buildings. We're working with others to expand the network of trails and paths that connect our campus to the community, so it's easier for everyone to get around. Plus, we're installing bike racks and electric vehicle charging stations to encourage others to ditch fossil fuels.



McKesson signed a two-year agreement to purchase local, physical renewable energy that will provide 40 million kWh of energy in Texas.



We are pursuing WELL certification at CoverMyMeds' new Columbus, Ohio office.



The Columbus, Ohio office is powered with renewable sources — saving nearly 1,700 barrels of oil and preventing 395 metric tons of carbon dioxide.

## Renewable energy journey

### *Why is McKesson focused on WELL certifications?*

As a healthcare company, we believe our buildings should also promote health and wellbeing, which is why we've pursued WELL certifications at key locations. These certifications are a reflection of the investments we're committed to making in our employees, which also gives us an edge in attracting and retaining a global, diverse workforce.

CoverMyMeds, a McKesson business unit, is making sustainability a priority at its new Columbus, Ohio campus.

## Progress by the numbers



McKesson signed a two-year agreement to purchase local, physical renewable energy that will provide

**40 million kWh of energy in Texas**

Awarded approximately \$30 million in **special one-time bonus payments** to recognize frontline workers and other staff for their hard work during the pandemic

**~80,000 employees**

Recognized as one of the **best employers for diversity by Forbes**

Recognized for the fifth year by the **Disability Equality Index** as one of the best places to work

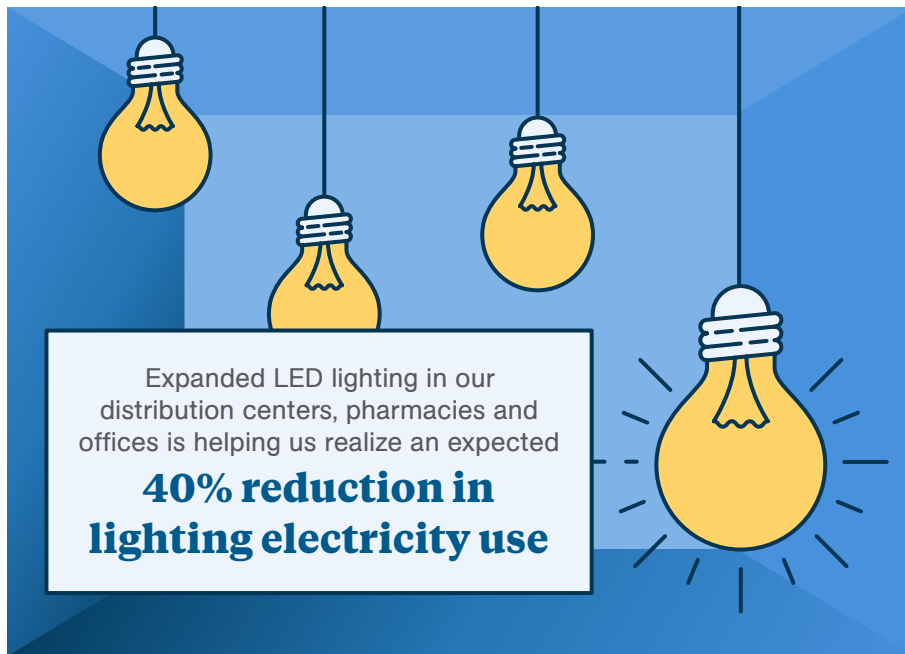
Our educational assistance program supported **799 employees** with tuition reimbursement grants exceeding \$1.3 million

## Progress by the numbers



Honored as one of the **best places to work for LGBT equality**

by the Human Rights Campaign for the 7th year in a row





## Our approach

Our corporate responsibility strategy focuses on how our business affects society and the environment, including all of our stakeholders. We consider each part of the supply chain and our partnerships 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. Our ICARE (integrity, customer-first, accountability, respect and excellence) shared principles function as the cultural foundation of our company, and as a unifying set of values to guide us in our mission and in our commitment to all of our stakeholders:

- **Delivering value to our customers:** Our ICARE shared principles are the cultural foundation of our company and we work hard to deliver medical and pharmaceutical products to our customers and their patients.
- **Investing in our employees:** We aim to be an employer of choice and maintain an inclusive environment, and are committed to fostering equal opportunity, pay equity, inclusion and diversity through processes that drive equitable pay decisions and eliminate unexplained pay inequities.

- **Dealing fairly and ethically with our suppliers:** We work with private-label suppliers across the globe who must agree to our McKesson Sustainable Supply Chain Principles, which cover compliance with appropriate laws, along with adherence to strict policies on protecting workers, preparing for emergencies, identifying and managing environmental risk, and protecting the environment.
- **Supporting the communities in which we work:** We work to create healthier communities through access to care, and by giving back — both with our money and our time. To further our mission, we provide opportunities that encourage and support employee volunteering and giving.

For McKesson, corporate responsibility means better health for our planet and people everywhere. As a company, we're working to use our economic, environmental, social and governance resources thoughtfully and responsibly. That way, we can make a positive impact on our company, our environment, and our society.

**icare**

- Integrity
- Customer-First
- Accountability
- Respect
- Excellence

**ilead**

- Inspire
- Leverage
- Execute
- Advance
- Develop

# Care



## INVESTING IN OUR EMPLOYEES

*We aim to be an employer of choice and maintain an inclusive environment, and are committed to fostering equal opportunity, pay equity, inclusion and diversity through processes that drive equitable pay decisions and eliminate unexplained pay inequities.*

## Investing in our employees

Our vision for a healthier world begins with our employees, who bring our mission to life every day. As a company, we deliver programs focused on employee health and wellness, opportunities for growth and development, and an inclusive workplace so our employees can be at their best. In FY20, we had approximately 80,000 employees, our total revenues were \$231 billion, and we operated primarily in the United States, Canada and Europe.

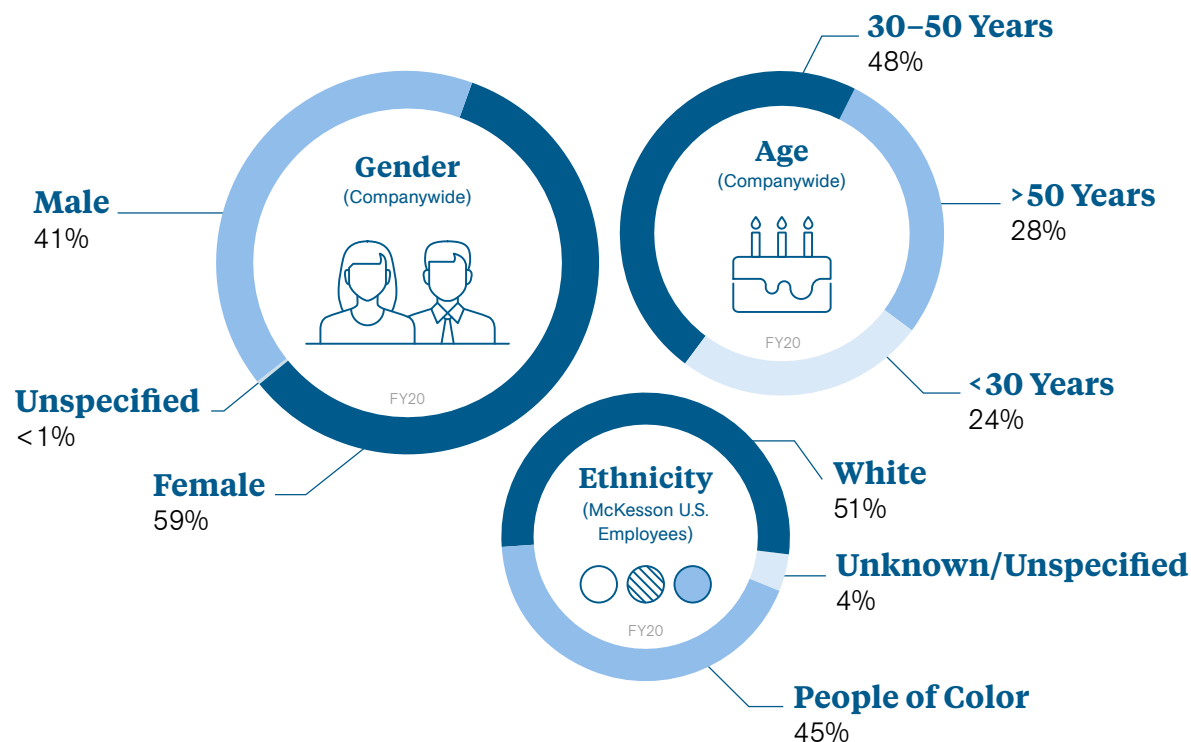
To support employee growth, we provide regular feedback and training, and work to create and maintain an inclusive environment where everyone brings their authentic self to work and knows they are appreciated, and their perspectives heard and considered.

We build the best teams by recruiting, developing and retaining diverse talent. We are proud to be recognized by prominent organizations for our culture of inclusion which we recognize as an important element that drives long-term shareholder value. We kept inclusion and diversity top of mind during our headquarters move to Irving, Texas.

McKesson’s culture is one of empowerment, recognition and belonging. It is grounded in our [ICARE](#) shared values, which guide and unite all our employees. ICARE supports our inclusive corporate culture, where we treat others with respect and appreciate diverse identities, thoughts, backgrounds, and styles. Our culture is further brought to life through [ILEAD](#), which is our commitment to leadership behaviors across our work and our business. These behaviors, combined with our cultural values, are what make McKesson unique.

We are proud to be recognized for our culture of inclusion. Among other achievements in FY20, we were:

- Recognized for the fifth year by the [Disability Equality Index](#) as one of the best places to work.
- Honored as one of the [best places to work for LGBT equality](#) by the Human Rights Campaign for the 7th year in a row.
- Recognized as one of the [best employers for diversity](#) by Forbes.





## Investing in our employees

We are committed to respecting the rights of all McKesson employees. Labor laws and practices vary among the countries where we do business, and we are committed to following all applicable labor laws and regulations in those countries, including those governing labor-management relationships.

### *Advancing employee wellbeing*

We offer programs that advance the physical, mental, financial and social wellbeing of our employees and their families. We focus on engaging all, and we measure our success through employee engagement surveys.

We know healthcare systems vary among countries, and our programs reflect that. For example, in Canada and the U.S., our programs include an annual health review, an interactive wellness portal and an employee assistance program. In those countries, we also provide free fitness trackers that connect to an online wellness platform, organize health challenges, and maintain a network of employee Wellness Champions. We also help employees plan for retirement, whether they're far along in their career or just starting out.

### *Opportunities to grow*

McKesson wants our employees to be excited about their careers, so we invest heavily in employee growth and development. That means rewarding job assignments, one-on-one feedback from managers, and opportunities for continued learning.

When it comes to career development, we emphasize ongoing coaching and feedback, so our employees grow and realize their potential. This in turn helps McKesson reach its goals. As an organization, we emphasize shared goals, each ladder

ing up to our mission as a company: to advance healthcare in support of better health for all. We measure how well employees achieved those goals, with compensation increases tied to their success. Rather than focus on an annual performance review, we facilitate an ongoing dialogue between managers and employees via discussions and quarterly check-in meetings.

Training is important to career development. It helps employees succeed in their roles and prepares them for new challenges. It strengthens leaders' coaching and management skills. Besides classroom training, we also offer classes through telepresence and fully online on-demand courses, so employees can learn when it fits their schedules. In FY20, our employees completed more than 196,323 hours of training (across the countries that are included in our centralized learning management platform, including Canada, the U.S., and some employees in the UK and Ireland). We also designed a McKesson-specific curriculum of courses to help our managers be better leaders.

We are always on the lookout for high-potential employees, and we have processes to help them advance. Through training, we encourage leaders to embrace diverse perspectives and lead inclusively.

Employee development programs like Leaders Teaching Leaders and Women in Leadership include training, coaching and 360-degree assessments. These courses support not only the careers of future leaders, but also those of the employees in their organizations.

When employees seek higher education, we support them through the educational assistance program, which supported 799 employees with tuition reimbursement grants exceeding \$1.3 million in FY20.



In FY20, our employees completed over 196,323 hours of training.



We provided 799 employees with tuition reimbursement grants exceeding \$1.3 million in FY20.



McKesson employees lead eight national employee resource groups.



## Investing in our employees

In Europe, we developed the START, GROW, DRIVE and EXPERT programs to promote talent and grow McKesson’s international talent pool. START, GROW and DRIVE are for managers, while EXPERT supports specialists in expanding their knowledge and tackling increasingly complex challenges.

### *Our principles on pay equity*

Because we believe that our people drive our company’s success, McKesson takes its commitment to the principles of equal opportunity, pay equity, inclusion and diversity very seriously. Our Board of Directors, the Inclusion & Diversity team, and our management team have a long track record of advancing these important principles throughout the organization. McKesson’s culture is grounded in our ICARE values. ICARE helps create an inclusive culture through the expectation that all employees will treat each other with respect and appreciate a diversity of identities, thoughts, backgrounds and styles. Our ILEAD principles articulate our leadership behaviors across all parts of our business. These behaviors, combined with our ICARE values, promote a culture in which all employees feel supported and valued. To that end, our Board of Directors routinely receives reports from management on McKesson’s inclusion and diversity efforts, and the following practices and policies are in place to help McKesson further achieve our culture of inclusion.

McKesson’s Diversity Council, an executive-level body, is responsible for ensuring that the enterprise’s Inclusion & Diversity strategy is understood and embraced at all levels of our company.



## Investing in our employees

Senior leaders are expected to be proactive in recruiting and retaining diverse teams and, to make that real, McKesson has tied diversity goals to the compensation of our leaders.

McKesson employees lead eight national employee resource groups, which offer employees opportunities to build awareness, grow personally and professionally, and give back to their communities. These groups have also been a tremendous resource in solving business dilemmas and furthering our commitment to an inclusive workplace.

McKesson is committed to providing equal opportunity for all applicants and employees. Our Equal Employment Opportunity Policy prohibits employment decisions, including compensation decisions, based on protected characteristics such as gender or race.

### *Quantifiable guiding principles drive pay decisions*

To provide compensation that is focused on attracting and retaining talent with the skills and experience necessary for a specific role, McKesson's compensation program is built on a set of quantifiable factors defined by our guiding principles:

- Internal Equity
- Market Competitiveness
- Pay for Performance

### *Pay programs designed to drive equitable pay decisions*

McKesson has a robust internal process to analyze compensation practices. Throughout the year, management and human resources regularly evaluate compensation for a variety of factors, including pay consistency and internal equity for similar roles.

### *Systems in place to address employee pay concerns*

McKesson's annual employee opinion survey contains pay-related questions enabling employees to share feedback about compensation. Employees can raise concerns regarding compensation practices with Employee Relations, Human Resources, or their manager, and can call McKesson's ethics line, the Integrity Line. All such concerns, including allegations of pay discrimination, are investigated by trained professionals.

### *Identified disparities addressed*

If disparities are identified at any point that are not explainable by individual differences such as experience level, credentials or location, McKesson reviews the data and develops a plan to correct any issues. As a result, McKesson is confident that its compensation practices will address and eliminate any unexplained pay inequities that are identified, including any inequities with respect to gender and race.

### *Keeping workplaces safe and secure*

Patient and employee safety is our foundation at McKesson. That's why we incorporate health and safety into all aspects of our operations.

We start with proactive measures. Our Security and Safety department, in the U.S., continually monitors our work environment to identify potential risks, in order to prevent and mitigate those risks. That includes having procedures in place and investing in equipment for both physical and electronic security.

In North America, we routinely assess facilities to monitor closely adherence to established security and safety standards.

Senior leaders are expected to be proactive in recruiting and retaining diverse teams.

## Investing in our employees

If we identify a vulnerability, it is documented, and the facility prepares an action plan. Across distribution facilities, we prepare a monthly leading safety indicator dashboard to measure performance to our standards.

In FY20, our distribution centers in the U.S. had a 100% execution rate in core injury prevention programs, including joint health and safety committees, periodic self inspections, and employee training.

### *Reducing workplace injuries*

The first step to reducing workplace injuries is preventing them. Within our distribution network, we focus on initiatives such as safe lifting principles and have launched an improved Powered Industrial Truck certification program. Ergonomic design continues to be a focus, as well as prevention of slips, trips and falls.

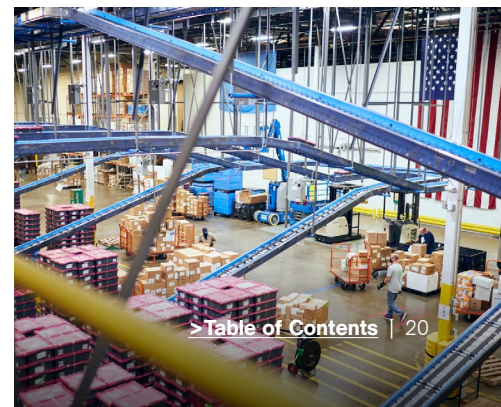
In the U.S., injury rates (number of recordable injuries per 100 employees) were calculated for both distribution centers and office locations during calendar year 2019. Total Recordable Incident Rate (TRIR) decreased by 3% when compared to calendar year 2018. Furthermore, McKesson has experienced a 13% TRIR decrease since calendar year 2017. We disclose TRIR on a calendar year basis as this approach aligns with the Occupational Safety and Health Administration reporting requirement.

During FY20, McKesson Canada launched a Safety and Security Portal across all distribution centers. Due to the wider availability of the portal, we received more reports and the frequency rate increased from 5.3 to 11. Therefore, we are treating FY20 as a new baseline year. At the end of FY21, we will be able to compare year-over-year trends using the same reporting tool.

### *Training is the cornerstone of safety*

Across McKesson North America, we foster a “safety matters, because you matter” culture. Our safety training programs are for employees at all levels. Throughout their time at McKesson, employees learn to identify and control hazards they may encounter at work or at home. They also receive specialized training related to their role, environment, and the equipment used in their work environment. Just as we continually update our processes, updates have been made to safety training modules, with new training programs being added. Managers are trained to coach employees on safe work practices. In FY20, U.S. employees completed over 33,500 safety training courses.

In FY21, we’ll continue to provide a safe and secure work environment for our employees and, by extension, for the customers and patients who depend on us.



# DELIVERING QUALITY PRODUCTS

*with our customers and suppliers*

*Our ICARE shared principles are the cultural foundation of our Company and we work hard to deliver medical and pharmaceutical products to our customers and the patients they serve. We also work with private-label suppliers across the globe who must agree to McKesson Sustainable Supply Chain Principles, which cover compliance with appropriate laws along with adherence to strict policies on protecting workers, preparing for emergencies, identifying and managing environmental risk, and protecting the environment.*



## Delivering quality products

### Delivering quality products with our customers and suppliers

#### Product Quality and Patient Safety

We deliver one-third of prescription medicines in North America, and we serve more than 2 million customers every day across Europe. It's crucial to deliver the safest products to all of these patients, because both the people making the medicine and the people taking it count on us.

#### Ensuring products are safe and high quality

Our quality management system is based on international procedures to ensure that products we handle and distribute, as well as the products we manufacture in our private-label line of business, follow applicable regulations.

- **Compliance:** We comply with applicable laws and regulations concerning product quality in the countries where we do business. These include the [Drug Supply Chain Security Act](#) in the U.S., the [Food and Drugs Act](#) and [Good Manufacturing Practices](#) in Canada, and the [Good Manufacturing and Distribution Practices](#) guidelines in Europe.
- **Product integrity:** Our supply chain safety and security training programs focus on the integrity of product packaging and containers. Here's how:
  - **When receiving products,** we verify the quantity, supplier name and product name through the purchase order. We also make sure that the product is not set to expire soon. Our tracking system automatically lets us know if a supply is affected by a recall.

- **When shipping products,** we use containers that maintain quality, safety and appropriate temperature control. We select shipping containers that comply with manufacturers' product specifications. When we use passive cold chain solutions, we require containers to pass a qualification process. This helps preserve product integrity and prevent any quality issues.
- **When potential product quality incidents happen,** we work to respond promptly. We follow a Corrective Action – Preventive Action (CAPA) process. To prevent counterfeit products from entering the legal distribution network, we follow a supplier qualification procedure for vendors. As part of this process, we perform regular audits and checks of authorizations and certifications, as appropriate.
- **During product recalls,** we reach out to pharmacies and other customers with details on the recall and how products can be returned to McKesson or the applicable reverse distributor. We continuously train our customer service employees so they are up-to-date on current recalls.
- **Traceability:** In Europe, we follow the [Falsified Medicines Directive](#), which requires batch tracking of certain medicinal products. When products enter the warehouse, we record the product code, expiration date and batch number. Using handheld terminals, we track the product at every stage of its journey in the warehouse — from replenishment, to picking, to returns. Employees can either scan the information or enter it manually. If an inaccuracy occurs, the tracking system generates an alert. Our quality coordinators monitor the alerts and resolve any

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## Delivering quality products

inconsistencies. In Canada, we follow Good Manufacturing Practices (GMP) which allows the complete history of a lot to be traced in a similar fashion.

- **Supplier requirements:** Just as we hold ourselves accountable, we also hold our suppliers accountable for the quality of their products and services. In areas where we outsource distribution, this includes contracted carriers and couriers.
- **Manufacturer requirements:** We comply with manufacturer requirements for handling and distributing products. In some cases, we have contracts with 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 various manufacturers are different, so our contractual commitments, controls and processes vary by manufacturer. McKesson has processes and systems to enable manufacturers to validate our performance against our contractual arrangements.

When we manage quality, our guide isn't only laws and regulations, but also best practices and international standards. For example, 10 of our businesses in Europe are ISO 9001 certified. ISO 9001 is an international standard for quality management systems.

### *Responsible sourcing*

Our companywide values are the foundation of McKesson's approach to being a responsible corporation. As a trusted organization – one that goes the extra mile to advance our customers' and business partners' success – these values are

also the foundation of McKesson's Supplier Sustainability Principles (MSSP). A reflection of McKesson's expectations of our own people and our supplier partners, these principles guide us in how and where we source our products each and every day.

Developed in 2012, the program sets forth our approach to responsible sourcing and provides a framework that holds our suppliers to an auditable set of expectations.

We work with private-label suppliers outside the U.S., Canada and the European Union. Those suppliers must agree to McKesson Sustainable Supply Chain Principles (MSSP). The MSSP covers compliance with appropriate laws along with adherence to our principles on protecting workers, preparing for emergencies, identifying and managing environmental risk, and protecting the environment. These principles also reflect our stance against forced and child labor, which we articulate in our response to the [UK Modern Slavery Act](#).

In the U.S. and Canada, before we place the first order with a new international private-label supplier, we conduct desktop or on-site audits — or consult other appropriate resources — depending on a risk matrix analysis. In Europe, this process has been started and will be fully completed during FY21. These audits cover all MSSP areas. On-site audits include document review, a factory tour and interviews with workers. We document the findings and require a corrective action plan for any instances of noncompliance.

Adherence by suppliers to MSSP is not optional. McKesson Global Procurement & Sourcing Limited (MGPSL) is stringent in regard to remediation efforts when audits reveal relevant gaps. To maintain high sustainable principles and standards in factories from which we purchase products, we follow up periodically on initial audits and closely monitor corrective actions.

When we manage quality, our guide isn't only laws and regulations, but also best practices and international standards.

Our companywide values are the foundation of McKesson's approach to being a responsible corporation.

## Delivering quality products

When issues are identified, McKesson auditors work with the supplier to ensure improvements are made. These audits include interviews with workers and management, inspections of production sites, and document reviews. Audit findings or non-conformances are prioritized based on risk. Should a critical issue be identified, MGPSL would require a timely response from the supplier. If a supplier failed to adequately remediate the issue, the relationships would be re-evaluated and, if necessary, terminated.

We strive to conduct business with companies that share our values, ethics and sustainability principles and companies that effectively incorporate these values into their business practices and management systems. And while the concept of the principles hasn't changed, the MSSP becomes more defined each year. To that end, we have plans in fiscal year 2021 to embark on a review of this program to ensure that it meets the needs of today.

On the Supplier Diversity page of our website, further information is available that describes our commitment to opening the doors of opportunity to qualified small and diverse suppliers. We encourage small, small-disadvantaged, minority, women, HUBZone, veteran service-disabled veteran, and/or disability-owned business enterprises to register as McKesson suppliers.

### Quality improvement through Six Sigma

Across McKesson, we strive to continuously assess and improve our day-to-day processes by applying [Six Sigma](#) methodology and principles. Six Sigma training and methodology has enabled – and continues to enable – employees at all levels of the organization to make data-driven decisions to further promote quality-focused improvements within our company.

In FY20, McKesson completed 513 Six Sigma business process improvement projects, which had more than \$227.3 million in cost savings and avoidance across our company, suppliers and customers.

These projects place heavy emphasis on defect reduction, faster cycle time and reduced waste. They have helped to reduce the number of variations customers experience and to identify what factors may drive that variation.

In addition to delivering cost-benefit initiatives, one of Six Sigma business process improvement's key objectives is to train, coach, and mentor employee talent. This allows us to deepen our culture of continuous improvement across McKesson. In FY20, employees in the countries covered by our centralized learning management system completed 10,171 hours of Six Sigma training courses.

In Europe, we introduced the Green Six Sigma initiative to further anchor environmental and sustainable aspects as a permanent component of the Lean Six Sigma program. The McKesson Europe team asked employees to submit their green business projects, and in return for the ideas, they donated trees that will double our environmental impact. Those trees have been planted by an environmental organization and will help to protect our climate by absorbing approximately 14 tons of CO<sub>2</sub> annually.

Here are a few of our FY20 Six Sigma business process improvement projects:

- **Ensuring data integrity in clinical trials:** Our US Oncology Network research team manages cancer treatment trials for drug manufacturers. In the past, clinical trial data were gathered from a variety of cancer clinics, using multiple databases and unique processes





## Delivering quality products

at each location. As a result, clinical trial data could be incomplete, incorrect or submitted late to the sponsors. The team looked holistically across the network of practices to identify broad root causes for those data quality problems. Based on their analysis, the team implemented a number of changes. The most impactful centered on training, process documentation, creation of metrics, and enhanced reporting on data quality.

- **Improving inventory adjustments:** In 2019, a Lean Six Sigma Black Belt project at GEHE (a McKesson Europe business) put a focus on the end-to-end processes impacting inventory adjustments. The colleagues worked on stabilizing and improving procurement and warehouse processes, and by avoiding stock losses and customer returns due to damaged and outdated products, customer satisfaction has been improved, while the number of customer claims has been successfully reduced. Additionally, the amount of medical waste due to breakage has declined significantly.
- **Reducing use of paper by leveraging existing technologies:** By moving to an electronic invoicing process, McKesson Canada reduced 34 million sheets of paper used annually across its network of distribution centers and saved hours of work each night. Previously, printed invoices were sorted manually and separated by route and by customer for carriers, who would hand-deliver them to customers when arriving at their stores. This added complexity when customers needed copies of invoices they might have lost. The team added an electronic module to an

existing customer platform to facilitate process adoption. The tool gave customers the ability to access electronic invoices before deliveries arrived at the store. The team also developed a “Receiving List” tool, which allows customers to efficiently validate orders rather than checking item by item on a physical invoice.

These are just a few of our Six Sigma business process improvement successes. Whether it’s reducing defects or streamlining processes, we look forward to improving operational excellence in FY21 and beyond.



Our U.S. Oncology Network research team looked holistically across the network of practices to identify broad root causes for those data quality problems.

# SUPPORTING HEALTHY COMMUNITIES

*We work to create healthier communities through access to care, and by giving back – both with our money and with our time. To further our mission, we provide opportunities that encourage and support employee volunteering and giving.*

## Supporting healthy communities

### Responding to the COVID-19 Pandemic

As one of the world’s largest healthcare companies, we know we have a critical role to play in making medications and supplies available to customers and patients when they need them. We play an important role in healthcare delivery and it is something we take seriously every day — even more so now as the world faces this healthcare challenge.

We’re working tirelessly to supply our customers, protect the safety of our employees, and address new developments as they occur to ensure we’re well prepared to address our customers’ evolving needs — so that they can best care for their patients.

#### Protecting our team

During this unprecedented time, our priorities have been and continue to be to protect the health and safety of our employees and leverage our expertise in managing complex logistics to deliver critical medicines and medical supplies to healthcare providers on the frontlines of treating this pandemic.

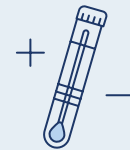
We’re deeply committed to supporting and protecting our team members, many of whom are on the frontline playing a critical role in helping to ensure that healthcare supplies and medicines are available for healthcare workers and patients who need them during this critical time. Here’s how McKesson has supported its employees during the COVID-19 pandemic:

- Extended medical benefits covering COVID-19 related visits, treatments and testing
- Expanded telehealth options allowing employees to receive care from the safety and comfort of their homes

- Emergency paid time off (PTO) and a PTO donation platform for employees impacted by COVID-19
- Mandatory telecommuting for non-essential office employees
- Awarded approximately \$30 million in special one-time bonus payments to recognize frontline workers and other staff for their hard work during this time
- Supported our employees and communities impacted by the COVID-19 pandemic with grants from the McKesson Foundation and investments in McKesson’s Taking Care of Our Own Fund
- Added technology resources and support for working remotely

Following CDC guidelines, McKesson has also taken the following steps to promote safety in its distribution centers and offices:

- Placement of hand sanitizer and sanitizing wipes throughout the workplace including updated posters and other reminders for employees to wash or disinfect their hands before touching their faces and other times throughout the day
- Ongoing practice of social distancing throughout our distribution centers to avoid unnecessary proximity where feasible, including entrances and exits to the buildings that must remain secured due to regulatory requirements
- Disinfectant cleaning throughout the day with multiple cleanings for high-traffic areas like the restrooms and common areas as well as high-touch tools and surfaces
- Providing employees with thermometers so they can take their temperature before coming to work
- Making face masks available to employees and allowing them to wear their own personal facial coverings at work



We extended medical benefits covering COVID-19 related visits, treatments and testing, and also expanded telehealth options.



We awarded approximately \$30 million in special one-time bonus payments to recognize frontline workers and other staff.

## Supporting healthy communities

### Access to healthcare has always been a priority

Across our company, we champion programs that help people access quality healthcare at a lower cost and more conveniently. Here are a few examples:

- Cancer treatments outside of the hospital:** In the UK, the [Royal Surrey NHS Trust](#) and [LloydsPharmacy](#) (a McKesson Europe business) started a new partnership, offering cancer patients the opportunity to have their treatment administered without visiting a hospital. The treatments include traditional chemotherapy and immunotherapy, both delivered by nurses from LloydsPharmacy Clinical Homecare. By bringing chemotherapy into the community, Lloyds Pharmacy is bringing expert care and treatment closer to the homes of our patients, which allows them to continue to live their lives as they normally do.
- Introducing Hepatitis C screening in indigenous communities:** Indigenous communities often experience restricted access to healthcare in Canada, owing to socioeconomic inequity, geographic isolation and other factors. Nurses working as part of McKesson Canada’s Provider Solutions team identified an opportunity to provide comprehensive care for patients diagnosed with Hepatitis C. McKesson Canada partnered with the communities to implement liver health/wellness programs that help to screen patients and link people to virtual specialist care, in many cases enabling patients to be treated without having to leave their home community. The program is a model of collaboration between our team

and local leaders to provide screening, education and follow up in underserved communities.

- Donating dispensing services to help end the HIV epidemic:** Starting in FY20, more than 3,300 [Health Mart](#) independent pharmacies have agreed to donate their dispensing services to support [Ready, Set, PrEP](#), a U.S. government program that provides free PrEP ([pre-exposure prophylaxis](#)) medication to uninsured individuals. As part of that donation, the pharmacies will provide patient counseling and take steps to promote patient medication adherence, as well as provide free PrEP medications at no cost for those eligible. When taken as prescribed, PrEP is highly effective at reducing an individual’s risk of acquiring HIV. By supporting Ready, Set, PrEP, we are helping to prevent HIV and bring the U.S. one step closer to ending the HIV epidemic.



## Caring for Our Communities

Giving back is a great way to build healthier communities. We provide opportunities that encourage and support employee volunteering and giving. Our programs are built to reflect our focus on better care, whether that means celebrating our Corporate Impact Champions or responding to emergencies.

### Giving back, with a focus on better health

In FY20, McKesson Corporation contributed \$4.2 million in cash and merchandise to support a variety of charitable organizations in the U.S., Canada and Europe, and the McKesson Foundation disbursed more than \$8.8 million.



## Supporting healthy communities

Here are some of the areas we focused on in FY20:

- **Supporting cancer patients:** In North America, the McKesson Foundation works with a network of Cancer Care Community Partners. These nonprofits are located near where our employees live and work. We support these partners with small grants and free comfort care packages created by our employees. In FY20, we provided care packages to 110,000 cancer patients.

Employees create the care packages during Community Days, an annual volunteering event that drew 17,700 employees in 148 locations in FY20. By volunteering, employees also earn McKesson Foundation grants for their local Community Partner.

They also support the partners through McKesson in Motion, a charity wellness challenge that engaged more than 10,500 employees. During the challenge, employees completed workouts to support the fight against cancer. By participating, they earned McKesson Foundation grants for our Community Partners — just as they do for Community Days.

We could not bring these programs to life without the 265 employees in Canada and the U.S. who serve as Regional Volunteer Chairs across McKesson offices and distribution centers. They organize local events and inspire their colleagues to join our company-wide volunteer programs.

In Europe, both our businesses and their employees showed support for cancer nonprofits. For example, our Vitusapotek business in Norway has been an ambassador and main sponsor of the Pink Ribbon initiative for several years now. The aim of the initiative is to show solidarity with breast cancer patients, improve knowledge about treatments

and raise money for research. Every year in October (when the Norwegian Cancer Society observes “Pink Month”), Vitusapotek sells Pink Ribbon products in their pharmacies to raise funds. Through communication campaigns, Vitusapotek also raises awareness on the topic of breast cancer and disseminates information.

- **Growing the international marrow registry:** In the U.S., we continue to partner with the [Gift of Life Bone Marrow Registry](#) to grow our McKesson Marrow Drive. Together, we’ve added more than 7,100 committed donors to the international registry. Employees register during voluntary biometric screenings, refer friends and family, and organize drives in the community. We also sponsor drives at partner universities. The registry urgently needs donors of diverse backgrounds, and we have partnered closely with McKesson’s employee resource groups to help get the donors they need. As of the end of FY20, [the drive](#) has led to 58 matches and eight transplants. Interest is growing across our company. In 2019, our GEHE business in Germany organized a campaign at their locations in cooperation with the German Bone Marrow Donor File (DKMS), an international non-profit, in the fight against blood cancer. The result: 282 newly registered potential stem cell donors.
- **Sharing professional skills through pro bono service:** Fiscal Year 2020 marked the second year of our General Counsel Organization (GCO) Volunteer & Pro Bono Program. This initiative offers an opportunity for the GCO team to share their professional skills in service of their community. As of the end of the fiscal year, team members had completed 20 projects in five locations across the United States, representing more than 525 hours of the direct volunteer service. Projects have included volunteering at food banks

In FY20, 17,700 employees in 148 locations participated in Community Days.

As of the end of FY20, the McKesson Marrow Drive has led to 58 matches and eight bone marrow transplants.

## Supporting healthy communities



Through the McKesson Corporate Impact Champions program, we celebrate employees who make outstanding contributions to their communities and workplaces.

and kitchens, providing free legal assistance at volunteer clinics, helping to brighten the holidays for children in the foster care and adoption systems, assisting immigrants participating in the Deferred Action for Childhood Arrivals (DACA) program, service as a guardian ad litem for a child, and aiding orphaned and injured wildlife.

### *McKesson in-kind contributions*

Each month, McKesson’s Medical-Surgical team works with World Vision to provide in-kind contributions that are then distributed to places in need across the country. Striving to reduce waste of our products, this partnership allows us to ensure that items that we aren’t able to sell find a new home. From April 1, 2019 – March 31, 2020, McKesson partnered with World Vision to distribute 342 pallets of critical medical supplies. Donated items included:

- **United States:** personal care, medical supplies and surgical kits
- **Central America:** adult diapers, medical supplies & apparel, walkers, crutches and wheelchairs
- **Africa:** adult diapers, surgical clean-up kits, medical supplies, medical & office furniture
- **Europe:** feminine hygiene products
- **Middle East:** surgical clean-up kits and medical supplies

### *Recognizing our heroes*

Through the McKesson Corporate Impact Champions program, formerly known as McKesson Community Heroes, we celebrate employees who make outstanding contributions to their communities and workplaces. The program is open to all employees across the company. It works like this: Employees share stories of how they support the causes that matter most to them (for example, environmental awareness, patient health

or a favorite charity). All applicants have one thing in common: They live by our ICARE shared principles.

Employees can nominate themselves or their peers. Voting panels in Canada, Europe and the U.S. select honorable mention recipients and finalists. An international panel selects the top winners.

In FY20, we recognized 29 entrants with grants exceeding \$50,000. The top three winners each received a \$5,000 grant.

- **Kris Cone, Raleigh, North Carolina, U.S.** For the past four years, Kris has been running community programs at the [LGBT Center of Raleigh](#). These include a discussion group for people of all gender identities where all can feel safe to share their experiences, be heard and receive advice; and an afterschool social for teenagers to share resources and mutual support.
- **Coralie Dayli, Gradignan, France.** Coralie volunteers with [Petit Cœur de Beurre](#), a nonprofit that supports patients, especially children, and their families during all stages of heart disease and treatment. Coralie helps lessen the family members’ feelings of isolation, makes their stay in the hospital as pleasant as possible, and shares useful information.
- **Noelle Linnemoller, Markham, Ontario, Canada.** Noelle volunteers with [Seasons Centre for Grieving Children](#), a charitable organization in Toronto, Canada. The center provides support for youth who are grieving the death of an immediate family member. Noelle works directly with the children at the center and is training to become a facilitator.

While we can only recognize a small number of employees as Corporate Impact Champions, we consider every volunteer and donor a hero. Employees can earn grants for volunteering and

## Supporting healthy communities

serving on a nonprofit's board of directors, and they can double their charitable donations through our matching gifts program.

### *Foundation for Opioid Response Efforts*

McKesson formed the independent Foundation for Opioid Response Efforts (FORE), a 501(c)(3) nonprofit dedicated to combating the opioid crisis in the United States and appointed Dr. Andrea Barthwell as board chair and Dr. Karen Scott as president. FORE's vision is to inspire and accelerate action to end the opioid epidemic with patients at the center. FORE is focused on supporting programs and grants in four key areas: provider education, payer strategies, policy initiatives, and public awareness. McKesson committed \$100 million to FORE as part of its ongoing mission of delivering better care for patients. In FY20, FORE announced grant awards to 19 organizations, with a particular focus on urban, rural, minority, tribal and low-income communities. For more information on FORE, please visit [forefdn.org](http://forefdn.org).

### *Responding to the opioid epidemic in the U.S.*

Each day, our distribution team delivers life-saving medicines to pharmacies, hospitals and clinics that serve millions of Americans. We take to heart that each and every item delivered — every pill bottle, every vial, every ointment — reaches a patient in need. We know that it's not just a package, it's a patient.

Over the past decade, as the opioid epidemic evolved rapidly, we enhanced our teams, processes and technologies dedicated to preventing diversion. We are committed to maintaining — and continuously enhancing — [strong programs](#) designed to detect and prevent opioid diversion within the pharmaceutical supply chain, while also protecting the availability of appropriate treatments for patients with serious illnesses and injuries.

This complicated, multifaceted public health crisis must be addressed through a comprehensive and collaborative approach. Each participant in the [pharmaceutical supply chain](#) can play an important role, including:

- The Drug Enforcement Administration (DEA), which has regulatory oversight for all DEA-registrants (doctors, pharmacists, distributors), sets yearly quotas for the volume of opioids that can be manufactured, and, along with other federal, state, and local agencies, has exclusive access to the [ARCOS information](#) that can help identify over-prescribing and pharmacies filling an excessive number of opioid prescriptions
- Drug manufacturers that design, develop and promote the medication
- Healthcare providers who prescribe the medication
- Pharmacists who dispense the medication
- Private and public health insurance groups that determine what they will pay for
- State medical and pharmacy boards that oversee the doctors and pharmacies in their jurisdiction
- Distributors that deliver medications ordered by pharmacists to fill prescriptions written by doctors

Today, we are working with others to advance a series of [company initiatives](#) focused on helping to address the opioid epidemic, support the formation of a foundation dedicated to combating the crisis, offer thoughtful [public policy recommendations](#) — including the Prescription Safety-Alert System (RxSAS) technology proposal — and to support [innovative programs and partnerships](#) that we believe can have a meaningful impact on this challenging issue. We are committed to engaging with all who share our dedication to act with urgency to address this epidemic and work together to end this national crisis.

We take to heart that each and every item delivered — every pill bottle, every vial, every ointment — reaches a patient in need. We know that it's not just a package, it's a patient.

# CREATING VALUE FOR OUR SHAREHOLDERS

*Integrity and compliance are foundational to our culture and critical to our long-term success. Building on that foundation, we know that good corporate governance advances trust among our shareholders, business partners and employees, promoting transparency in our company and contributing to sustainable growth. Our robust approach to corporate governance helps us drive long-term growth and create shareholder value in all areas, including social practices and environmental stewardship.*





## Creating value for our shareholders

### Compliance and Ethics

At McKesson, we believe that integrity is the foundation of our culture and is critical to our long-term success. We work to inspire and enable McKesson employees to act with integrity in all we do.

#### *United by our ICARE shared principles*

Everything we do is driven by our shared principles, known as [ICARE](#). These principles are a uniting force, connecting us across business units, geographies and functional areas. They shape our corporate culture. And they help us make a positive difference for patients, customers, partners, communities, shareholders and one another.

ICARE is what we expect from each other, and what the people we help expect from McKesson.

#### *Our beacon: The McKesson Code of Conduct*

Our company operates in diverse business and regulatory environments. To ensure that all employees uphold the highest legal and ethical standards, we embed them in our Code of Conduct and require regular formal training on it.

A shared document across our company, our [Code of Conduct](#) is based on ICARE. It describes the fundamental principles, local policies and procedures that shape our work. It covers a wide range of topics that may occur when interacting with customers, industry partners and each other. It gives helpful guidance regarding where to turn with questions or concerns about the right thing to do. The Code of Conduct is available in 10 languages.

#### *Compliance is integral to our culture*

Compliance is an integral part of our company and leadership culture. It refers to our obligation to laws, regulations and internal guidelines. For us, compliance is more than just following rules. It includes considering the actions we take, and adapting to new challenges and situations, always guided by our ICARE principles.

For our culture to be sustainable, we need to involve everyone within the company. To meet the dynamic changes in this area, we continuously review our compliance management system and self-imposed standards.

#### *How we're organized*

Our Chief Compliance Officer is aided by a Compliance and Ethics Group as well as a designated compliance officer for each of our businesses. The Chief Compliance Officer oversees and monitors implementation of our programs, including the standards and guidelines set out by regulators. Our compliance program includes:

- Written policies and procedures
- Compliance communications and web resources
- Regulatory and compliance training
- Internal auditing and compliance monitoring
- Toll-free whistleblower hotlines
- Investigations relating to compliance and ethics
- Corrective and/or preventive action, where necessary

Since FY19, our Board of Directors has had a standing Compliance Committee, whose purpose is to assist the Board in overseeing McKesson's compliance programs and management's identification and evaluation of our principal legal and regulatory compliance risks. The Compliance

For us, compliance is more than just following rules. It includes considering the actions we take, and adapting to new challenges and situations, always guided by our ICARE principles.

## Creating value for our shareholders

Committee of our Board of Directors meets regularly in private sessions with our Chief Compliance Officer, and has authority over the appointment, compensation, performance and replacement, as necessary, of our Chief Compliance Officer.

### *Raising concerns and seeking guidance*

Every employee is responsible for ensuring we comply with the laws, regulations and ethical standards affecting our business.

Our employees raise concerns if they believe something inappropriate is happening at work. Managers have a duty to listen to employees' concerns and react to those concerns in an appropriate manner. By fostering an open environment, where all employees feel free to speak up without any fear of retaliation, we seek to advance our culture of compliance and integrity.

The McKesson whistleblower hotlines are available 24 hours a day, seven days a week, in multiple languages. It allows employees to raise concerns (anonymously if they wish), including possible violations of McKesson's Code of Conduct, its policies, or any illegal or unethical activity.

An independent third-party provider (in Europe, an ombudsman) answers and documents all calls before forwarding them to McKesson. We investigate all allegations, and we provide reports of allegations and investigations to senior management and the Compliance Committee of the Board of Directors. The Audit Committee of the Board of Directors also receives reports on any allegations and investigations regarding accounting, internal accounting controls, or audit matters.

The hotlines are only one of the ways employees can raise concerns. We encourage employees to contact their supervisor, business unit compliance officer, or the Human Resources or Legal departments with any concerns. Employees may also report

matters by email or through intranet portals. We strictly prohibit retaliation against an employee who makes a good faith report or complaint through any channel. After investigating, we develop and carry out a corrective and preventive plan, as needed.

### *Preventing corruption*

We do not tolerate corruption or bribery in our business practices by our employees or by third parties working on our behalf. We don't promise, offer or give anything of value to a government official or an employee or representative of our business partners with the intent to improperly influence their conduct. Similarly, we don't receive anything of value that could be interpreted to improperly influence our conduct. We expect our business partners and third parties working on our behalf to comply with all applicable anti-corruption and anti-bribery laws and standards.

### *Preventing slavery in our supply chain*

McKesson is committed to the highest ethical standards. To fulfill these standards, we take steps to ensure that slavery and related human trafficking do not form part of our supply chain, through responsible sourcing audit processes, and in the UK, in accordance with the [UK Modern Slavery Act](#).

### *Serving government customers*

As one of the largest government contractors in the U.S., McKesson is proud to partner with government customers to meet the healthcare needs of veterans, active military, children and disadvantaged groups. McKesson recognizes that our government customers face unique challenges and obligations, and we are dedicated to satisfying them. Our Compliance and Ethics program is critical to the success of our government contracts.

By fostering an open environment, where all employees feel free to speak up without any fear of retaliation, we seek to advance our culture of compliance and integrity.

## Creating value for our shareholders

### Our Take on Good Governance

We know that good corporate governance advances trust among our shareholders, business partners and employees; it promotes transparency in our company, and contributes to sustainable growth. We are committed to continually assessing our corporate governance policies and structures to incorporate best practices and believe a balanced corporate governance approach strengthens confidence in our company — both in the capital markets and among the public.

Some of our key corporate governance attributes include:

#### *Independent Chair*

On April 1, 2019, we adopted an independent chair structure with the election of Edward Mueller as Independent Chair. He has been a member of the Board of Directors since April 2008 and served as Lead Independent Director from 2013 to 2019.

#### *Our Board members are independent*

Other than our [CEO](#), Brian Tyler, every one of our Board members is independent, which follows the NYSE requirements and our [Corporate Governance Guidelines](#).

#### *Proxy access and the right to call a special meeting*

When our shareholders hold at least 3% of the company's stock for at least three years, they can nominate director candidates to fill up to 20% of available Board seats. We also allow record holders who have held at least 15% of our outstanding shares for at least one year to call a special meeting of stockholders.

#### *Focus on shareholder rights*

- We do not have a poison pill.
- We eliminated supermajority voting requirements.
- We have a majority voting standard for uncontested director elections.

#### *Our Board champions inclusion and diversity*

Every company should bring together diversity of thought. That extends to our executive leadership. At the time of publication of this report, five of our twelve directors are women and three of our directors are persons of color.

#### *Annual evaluations keep our Board going strong*

Our Independent Board Chair conducts annual performance evaluations for every one of our Board members. Each committee of the Board conducts an annual self-assessment of its performance and reviews a report on the self-assessment with the full Board. The Board evaluation and each committee self-assessment includes a review of any areas in which the Board, such committee or management believes the Board or such committee can make a better contribution to the company.

#### *We plan for what's next in leadership*

For all C-level roles, the Board reviews and provides input on our succession plan in order to develop our next generation of leaders, CEO and executive officers.

#### *We tell you about our political contributions and our lobbying activities and expenditures*

McKesson believes that transparency and accountability with respect to political expenditures and lobbying are important.

We know that good corporate governance advances trust among our shareholders, business partners and employees.

## Creating value for our shareholders

In the U.S., we voluntarily disclose corporate political contributions and file federal and state reports on lobbying activities where required by law. Additionally, we provide a list of trade associations to whom our annual payments exceed \$50,000 and share the criteria we use to evaluate trade associations, as we may not support every position they take. We also prohibit trade organizations from using our contributions for political purposes.

In addition to enhancements made every year since 2017, we recently revised our Political Engagement and Lobbying Policy to clarify the Board's oversight of lobbying activities and expenditures related to laws or regulations governing the distribution of controlled substances – and to reflect the Board's commitment to disclose to our shareholders on an annual basis the aggregate dollars we spend on lobbying activities – including our policy priorities, and material lobbying efforts in the year.

### *Risk oversight remains a top priority*

Our entire Board is committed to maintaining strong oversight and compliance processes — and to overseeing matters ranging from our reputation and legal and financial reporting risk, to compensation practices and cybersecurity. The Board's standing Compliance Committee receives quarterly reports from our dedicated Chief Compliance Officer who has a comprehensive focus on compliance matters across the enterprise.

### *We have a global Code of Conduct*

As described earlier in this report, our [Code of Conduct](#) is where we detail the policies and procedures that shape our work. It helps our entire team make ethical decisions. We've adapted and translated our code to make sure it works in every place we do.

### *Guidelines help us keep up with governance*

Our [Corporate Governance Guidelines](#) set forth our Board's goal of building long-term value for our stockholders and are consistent with New York Stock Exchange (NYSE) listing requirements. Our guidelines call for the Board to monitor the performance of our company, including with respect to Environmental, Social and Governance matters. Our guidelines include things like:

- Director qualification standards
- Access to management and independent advisors
- Compensation
- Director orientation
- Continuing education
- Management succession

### *The Board oversees our corporate responsibility practices*

The Board's Governance Committee regularly reviews and discusses McKesson's corporate responsibility practices, including environmental sustainability and matters concerning our commitment to delivering value to its customers, employees, suppliers, shareholders, and local communities.

If you have any questions about McKesson's corporate governance practices, [let us know](#).

### *Shareholder engagement*

We believe that shareholder feedback is fundamental to driving long-term growth and creating shareholder value. Our shareholder engagement program is a robust, year-round process encompassing formal shareholder engagement roadshows conducted in the summer, fall and winter.

Our entire Board is committed to maintaining strong oversight and compliance processes — and to overseeing matters ranging from our reputation and legal and financial reporting risk, to compensation practices and cybersecurity.

We believe that shareholder feedback is fundamental to driving long-term growth and creating shareholder value.



If you have any questions about McKesson's corporate governance practices, email [corporate.impact@mckesson.com](mailto:corporate.impact@mckesson.com).

## Creating value for our shareholders

We also meet throughout the year with shareholders in various forums to encourage ongoing, meaningful dialogue about the issues they find most important. We report shareholder feedback regularly to our Board of Directors, which in turn evaluates feedback year round.

During FY20, we proactively reached out to shareholders representing nearly 66% of our outstanding common stock, and engaged with shareholders representing approximately 50% of our outstanding common stock. We discussed a diverse range of topics with our shareholders, including, among others:

- ESG and human capital management, including inclusion, diversity and equality
- Corporate culture initiatives
- Leading corporate governance practices
- Executive compensation
- Board composition and refreshment

These conversations will continue to play an important role in FY21 as our enterprise-wide sustainability and ESG strategy and actions continue to develop and evolve.

Our shareholder engagement program is a robust, year-round process.

# DRIVING ENVIRONMENTAL STEWARDSHIP ACROSS OUR ENTERPRISE

*Communities thrive in a healthier environment. That's why we're sharpening our focus on environmental actions, including energy efficiency programs, renewable electricity use, and transportation efficiency improvements.*



## Driving environmental stewardship

### Driving environmental stewardship across our enterprise

#### *Eco-efficient operations and transportation*

Establishing new environmental best practices is a priority across McKesson businesses. We work to capture the metrics most relevant to our [lines of business](#) and act on recommendations that lead to a healthier environment.

We use electricity, natural gas, and water in our buildings, and fuel for our inbound and outbound distribution operations and business travel. We focus on efficiency across these areas.

In our distribution centers, pharmacies and offices, we focus on reducing energy use and finding alternative sources of energy. As a company focused on distribution, transportation is important to us — in particular, fuel efficiency for our fleet.

### Reducing Energy Use in Our Facilities

Across our locations, we work to use less energy for lighting and heating.

#### *Increasing LED lighting to lessen our footprint*

During FY20, we expanded initiatives to add LED lighting in our distribution centers, pharmacies and offices. Through these initiatives, we expect to see lighting electricity use reductions of up to 40%. Our European distribution centers expect to save more than 3,300 tons of CO<sub>2</sub> emissions per year through LED lighting alone.

While we're bringing LED lighting to more than 500 pharmacies in Europe, we're also replacing inefficient heating systems with more efficient units, complete with timer controls and/or presence detectors.

In the U.S., we completed a major LED project that includes 26 sites, which represent 5.65 million square feet. Besides driving energy savings and reducing McKesson's carbon footprint, the project was also designed to enhance employees' work environment. The anticipated annual energy savings are 19.1 million kWh, for an annual carbon emissions reduction of 8,096 metric tons.

#### *Monitoring and benchmarking energy use*

We use several tools to benchmark our energy use, including Capturis (a utility billing data analysis portal), custom Tableau-based energy dashboards, and the U.S. Environmental Protection Agency's [Energy Star Portfolio Manager](#).

#### *Bringing in renewable energy to move toward the future*

In selected warehouses in Belgium, France, Germany and the UK, we have installed solar panels on the roofs to produce our own solar energy. This enabled us to generate 1,032,000 kWh in FY20, which we used for our local energy consumption.

In the U.S., as part of a long-term agreement to purchase power from on-site solar arrays, we completed installation of a 1.1 MW solar array at our distribution center in West Sacramento, California during FY20. The array is significantly reducing cost for McKesson, producing electricity equivalent to approximately two-thirds of the West Sacramento facility's

Our FY20 initiatives to add LED lighting in our distribution centers, pharmacies and offices are expected to drive lighting electricity use reductions of up to 40%.

Our U.S. offices in Irving, Texas; Richmond, Va.; San Francisco, Calif.; The Woodlands, Texas; and two of our three office buildings in Scottsdale, Ariz. are LEED certified.

## Driving environmental stewardship

annual consumption. Another array is under construction and is anticipated to be completed in FY21.

### *Optimizing our buildings with integrated technology and real-time analytics*

In FY18, McKesson made a commitment to design new office buildings in accordance with a newly developed intelligent buildings standard. We're also making an ongoing effort to apply this standard retroactively to as many existing assets as practical. This technology will give our teams elevated visibility to building operations, as well as a real-time analytics platform to identify and diagnose inefficiencies in HVAC (heating, ventilation and air conditioning), lighting and other building systems. We anticipate these findings will result in energy savings and extended equipment lifetimes. In FY20, we began intelligent building initiatives at locations in Jacksonville, Florida; Scottsdale, Arizona; and Irving, Texas, which will be fully live in FY21.

### *Working toward environmental certifications as we grow*

As part of our energy reduction strategy, we pursue environmental certification for new and newly renovated buildings. For example, our European headquarters in Stuttgart was recognized by the German Sustainable Business Council for its environmentally friendly design. Our U.S. offices in Irving, Texas; Richmond, Virginia; San Francisco, California; The Woodlands, Texas; Jacksonville, FL and two of our three office buildings in Scottsdale, Arizona are Leadership in Energy and Environmental Design (LEED) certified, as is our distribution center in Aurora, Illinois. We are pursuing LEED certification for our third Scottsdale, Arizona office

building, as well as our Columbus, Ohio office. We also hold WELL certification for our Irving office and are pursuing it in Columbus, Jacksonville and Scottsdale.

### *Transportation: more efficiency, less impact*

More output with less energy input — this is the principle of energy efficiency. It makes perfect business sense because we save money by reducing our energy needs. At the same time, we reduce our impact on the environment by using fewer resources, which means we emit less CO<sub>2</sub>.

### *Transportation in our operations*

We're an international business focused on distribution. For us, fuel consumption for transportation is an environmental challenge and opportunity. Our strategy focuses on optimizing delivery routes and the use of delivery vehicles. To do that, we monitor mileage and fuel consumption, and we educate our drivers on eco-efficient driving.

In Europe, we have recently introduced a new standard Route Optimization Software Solution. Every day, our patients and more than 50,000 pharmacies and hospitals depend on our medical supplies. Therefore, reliable and efficient last-mile delivery performance is close to our hearts. This new European tool will enable us to continue to fulfill our customer service levels while we reduce mileage, save time, cut down emissions and minimize unused vehicle capacity.

### *Energy reduction for outsourced fleets*

In areas where we outsource transportation, we take advantage of external carriers' ability to optimize schedules and avoid



## Driving environmental stewardship

returning empty trucks to distribution centers. We also work with customers to adjust delivery schedules to be more efficient.

### Energy reduction for our in-house fleet

In some areas, we own our fleet. When buying new vehicles, key criteria are fuel consumption and low CO<sub>2</sub> emissions – while adhering to high quality standards. We teach our drivers environmentally friendly and safe practices, such as driving at a safe speed limit and avoiding idling. We also adjust delivery routes and vehicle loading to cut mileage and increase efficiency. Our fleet in Canada has already seen the impact:

- **Equipment upgrades:** We continue to adjust our fleet to increase efficiency. For example, we are upgrading tractors, for an expected annual savings of 15,000 liters per year, and we are introducing trucks with an Espar system that helps reduce fuel use, with annual savings expected to be 20,000-30,000 liters. Trailers are equipped with “trailer skirts” that improve aerodynamics and help reduce fuel consumption.
- **Using LCVs:** We use long combination vehicles (LCV) in our line-haul network in Canada. LCVs use less fuel to carry goods, which reduces our carbon footprint.

Also in our Canada fleet, we use trailer skirts and late-model tractors with features such as a limited idle. Among other initiatives, we run bulkheads in our trailers for more efficient airflow and less use of refrigerant fuel.

### Redistribution Center model

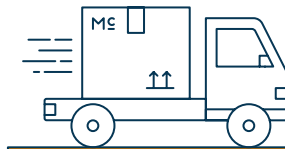
We operate National Redistribution Centers (NRDCs) in the U.S. and France. These centers help us to better manage our inventory and reduce redundancies. Even better, they help us reduce the movement of our inventory. In turn, we can save on costs and fuel within our distribution center network.

### Employee travel and commuting

For travel to the office, we encourage employees to use sustainable options, like bikes or buses. In North America and several European countries, McKesson also offers commuter benefits, which let employees use pre-tax dollars to pay for items like subway cards or train tickets. In Canada, our Montreal office has reserved parking spaces for people who carpool. Several sites in Canada, Europe and the U.S. offer electric/hybrid car charging stations.

While business travel is part of how we work, it also affects the environment. To reduce our impact, we encourage employees to use tele- and videoconferencing whenever possible to reduce travel and, by extension, our carbon footprint.

In response to the COVID-19 pandemic, we implemented a temporary mandatory telecommuting policy, which required all employees who are able to do their jobs remotely to work from home. We also restricted non-essential business travel.



We are introducing trucks with an Espar system that helps reduce fuel use, with annual savings expected to be **20,000-30,000 liters.**

## Driving environmental stewardship

### CO<sub>2</sub> Emissions Performance in FY20

Category	FY19 CO <sub>2</sub> emissions (metric tons)	FY20 CO <sub>2</sub> emissions (metric tons)
<b>Scope 1:</b> Fuel consumption for in-house Pharmaceutical Solutions & Services sales fleet managed through Wheels Fuel program (U.S.), Medical-Surgical delivery fleet (U.S.), Quebec delivery (Canada) and Europe delivery fleets; natural gas consumption in U.S., Canada and Europe facilities for which utilities data is available; heating oil in Canada and Europe facilities for which utilities data is available	143,394*	117,790
<b>Scope 2:</b> Electricity consumption in U.S., Canada and Europe facilities for which utilities data is available	173,390	151,692
<b>Scope 3:</b> U.S., Canada and Europe employee air travel booked through corporate travel vendor; road travel data calculated through expense reporting (U.S. and Canada); third-party transportation through United Parcel Service (UPS) in U.S.	67,114	83,266

\*Recalculated due to prior reporting or mathematical error

- **Scope 1:** Direct emissions from the consumption of natural gas, heating oil, diesel fuel and gasoline. Our Scope 1 emissions decreased by 18% from FY19. We saw decreased use of gasoline, which may be due to fleet optimization initiatives.
- **Scope 2:** Emissions from purchased and consumed electricity and long-distance heating consumption. Our Scope 2 emissions decreased by 13% from FY19, driven in part by a decrease in electricity consumption in Europe and the U.S. associated with our LED lighting projects. We also saw a reduction in Europe associated with the use of updated emissions factors, which in turn reflect changes in the electricity mix in the European countries where we operate.

- **Scope 3:** In FY20, employee air travel remained flat. However, we saw an increase in total number of UPS shipments, which contributed to the increase in Scope 3 emissions.

We measure CO<sub>2</sub> emissions using the [IPCC Guidelines for National Greenhouse Gas Inventories](#).



**Direct emissions from the consumption of natural gas, heating oil, diesel fuel and gasoline decreased by 18% from FY19.**



## Driving environmental stewardship

### Conserving Resources in Our Daily Work

We use a variety of resources in our work. Besides power sources, we use office paper, packaging, water and materials related to distribution. We do our best to use only what we need. When we can't avoid using resources, we strive to use recycled products.

Resource scarcity doesn't affect only McKesson. Companies that aim to stay competitive in the long term must work toward closed-loop systems and use their resources responsibly. This approach makes sense from both an economic and an ecological point of view.

*Use of Resources: FY19–FY20\**

	FY19	FY20
<b>Materials recycled</b>	34,790 tons**	32,387 tons
<b>Materials to landfill</b>	19,129 tons	17,540 tons
<b>Water use</b>	633,370,008 liters	856,324,181 liters

\*For all locations reporting recycling and/or water use data  
 \*\*Recalculated due to prior reporting or mathematical error

To reduce our impact on the environment, we continuously improve the way we handle resources for our products, our services and our processes.

To hold ourselves accountable, we report on the total weight of materials that were recycled and went to landfill, and on water use.

#### Reducing water use

Water is a limited resource, so we seek to reduce its use in our operations.

One way we're limiting water use is by expanding smart irrigation programs in our facilities. This system adjusts watering times based on weather conditions and lets us check our water use remotely. Users can receive notifications about changes to the settings or equipment malfunctions. Automation saves water because the irrigation system runs less often, and it is easier to identify problems. In FY20, we added an additional site to the smart irrigation program. Since installation, water use at the site has decreased by 31% — nearly half of an Olympic swimming pool.

Global reported water usage increased between FY19 and FY20 due to the correction of unit data for one site in California and the inclusion of new data from another site in California.

#### Hazardous waste

In the U.S., our Hazardous and Regulated Waste Management Program establishes standards to identify and manage hazardous and regulated waste and handle hazardous and regulated waste spills. Through the program, we make sure that accumulation and disposal of waste from McKesson facilities complies with international, national and regional regulations.

When it comes to e-waste, we partner with certified suppliers for 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 they can't be reused, the parts are recycled. In Germany, we work with [AfB](#) to ensure that electronic assets are either resold or recycled. AfB is Europe's first nonprofit IT company, and it focuses on providing employment opportunities for disabled workers.

## Driving environmental stewardship

We also report on total hazardous waste for [McKesson Europe](#). In FY20, we generated 1,674 tons of hazardous waste, an increase from 1,474 tons in FY19. This increase was due in part to an increase in the number of pharmacies we manage.

### *Transport of reusable containers*

In many of our businesses, we send medication to customers — including pharmacies and hospitals — in reusable containers. After the containers are unloaded and emptied at their destination, we use them for the next delivery. Our return system guarantees a smooth pick-up process. By reusing containers, we save valuable resources and avoid unnecessary waste every day.

### *Green decommissioning*

When consolidating office space or moving to a new location, furniture and other office items often go to landfill. Over the last couple of years, we have partnered with a vendor that recycles, resells and donates these items instead. To date, we have completed projects in Houston, Texas; Pittsburgh, Pennsylvania; San Francisco, California; and Jacksonville, Florida. Projects in FY20 resulted in diverting 120 tons of furniture and other office items from the landfill. Of the items, 30% were donated to nonprofits.

### *Reducing paper use in our operations*

By going digital, we're using less paper. Our initiatives range from paperless invoices and two-sided printing, (which will cut printing by 34 million sheets of paper), to electronic handheld scanners for packing orders in distribution centers. Our Canada distribution centers have all implemented paperless paystubs as of the end of FY20. When we can't avoid using paper, we encourage use of recycled stock.

### *Site-specific recycling and reuse programs*

Complementing these initiatives, many locations have implemented additional programs, many spearheaded by employees. For example, in our Moncton, New Brunswick distribution center in Canada, employees use reusable water bottles and metal cutlery. Other distribution centers have expanded the types of materials they recycle and adapted their recycling practices to reduce waste even further.

### *Donating unused medications and products to support patients*

Part of conserving resources means ensuring that unused medications and medical supplies go to people and organizations that can benefit from them.

- Our pharmacists at LloydsApotek in Sweden, a McKesson Europe business, recently received a new collection of work uniforms. The previously worn, but still very well-preserved uniforms were professionally cleaned and shipped to pharmacists in Rwanda and Uganda, giving these important supplies a second life. The team partnered with Pharmacists Without Borders (Farmaceuter utan Gränser Sverige), a Swedish nonprofit organization that promotes, among other things, improved availability and use of medications in developing countries.
- Through our partnership with World Vision, McKesson's Medical-Surgical business donated 342 pallets of supplies during FY20. These donations helped support important health initiatives in Africa, Central America, the Middle East and North America.
- The returns teams at several distribution centers in Canada collect returned or damaged products and arrange for them

Recycling projects in FY20 resulted in diverting 120 tons of furniture and other office items from the landfill.

Part of conserving resources means ensuring that unused medications and medical supplies go to people and organizations that can benefit from them.

## Driving environmental stewardship

to be donated to nonprofit outreach programs. For example, in the Regina and Calgary distribution centers, returned products are donated to programs that help women in need. This initiative allows the locations to reduce waste while supporting their local communities.

### *Complying with laws and regulations*

Our environmental commitment begins by adhering to all applicable environmental laws and regulations. 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, 2019 through March 31, 2020), McKesson was in material compliance with all applicable environmental regulations.



**Through our partnership with World Vision, McKesson's Medical-Surgical business donated 342 pallets of supplies during FY20.**

## Our report

### How We Put Together This Report

In FY18, we worked with our stakeholders on a materiality assessment, which is a process to identify and prioritize potential topics that could affect our company.

The assessment included in-depth interviews and surveys with 95 stakeholders from Canada, Europe and the U.S. They included employees, customers, suppliers, industry associations, government agencies, NGOs and joint venture partners. We involved senior leaders from multiple business units and corporate functions and carefully considered the views of our shareholders.

We also brought in peer benchmarking, impact mapping, synthesis and analysis of our results. The work resulted in a materiality matrix, validated with internal leaders, and a list of prioritized topics and opportunities raised through the materiality process.

Through the assessment, we identified the following topics as particularly material to McKesson: product quality and patient safety; eco-efficient transport and operations; ethics and compliance; partnerships and engagement; access to healthcare and community health; and employee recruitment, engagement and retention. Content throughout this report reflects our actions in those areas.

Since that materiality assessment, we have continued to engage with stakeholders of all types, and we are actively working to ensure our strategy and actions are increasingly responsive to the expectations of those stakeholders, which is why our report and progress is organized by key stakeholder groups.

#### *What you'll find here*

This report is a deep dive into our corporate responsibility efforts during FY20 (April 1, 2019 to March 31, 2020). When examples and actions are outside that timeframe, it is noted in the text. We issue a report each year.

The report covers our commitments and progress in the countries where we operate. That includes our work in the United States, Canada and Europe. Our business in the Netherlands (Brocacef Groep) and our administrative office in Vilnius, Lithuania are not included in the report scope. Some programs described in the employee and community sections do not currently apply to employees in our CoverMyMeds and Rexall businesses, with the exception of the Taking Care of Our Own Fund, which is available to Rexall employees.

For more information about our operations, including joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can significantly affect comparability, please refer to the [FY20 10-K, McKesson's Annual Report](#).

#### *The Global Reporting Initiative (GRI) framework*

We've prepared our report in accordance with the "Core" version of the [Global Reporting Initiative \(GRI\) Standards](#). It includes topic-specific standards that we identified through our materiality assessment. For more details, refer to the GRI content index at the end of this report.

We have continued to engage with stakeholders of all types, and we are actively working to ensure our strategy and actions are increasingly responsive to the expectations of those stakeholders.

The report covers our commitments and progress in the countries where we operate. That includes our work in the United States, Canada and Europe.

## Metrics at a glance

Metric	Metric Units	FY 2019	FY 2020
<b>CO<sub>2</sub> Emissions Performance</b>			
Scope 1	metric tons	143,394*	117,790
Scope 2	metric tons	173,390	151,692
Scope 3	metric tons	67,114	83,266
*Recalculated due to prior reporting or mathematical error.			
<b>Environmental Footprint</b>			
Materials recycled	tons	34,790*	32,387
Materials to landfill	tons	19,129	17,540
Water use	liters	633,370,008	856,324,181
*Recalculated due to prior reporting or mathematical error.			
<b>Safety</b>			
Safety (U.S., calendar year)	total recordable incident rate	Calendar 2018: 2.89	Calendar 2019: 2.81
<b>Employee Education &amp; Training</b>			
Education	participants	1,175	799
Total reimbursement amount	US dollars	2,186,702	1,325,157
Leadership development/training	hours	289,343	196,323

Metric	Metric Units	FY 2019	FY 2020
<b>Employee Demographics</b>			
Female	%	65	59
Male	%	35	41
Unknown or declined to state	%	<1%	<1%
<b>Age</b>			
<30 years	%	24	24
30-50 years	%	48	48
>50 years	%	28	28
<b>Ethnicity (U.S.)</b>			
People of color	%	43	45
White	%	53	51
Unknown or declined to state	%	4	4
<b>Volunteering and Charitable Giving</b>			
Volunteering	participants	16,753	17,755
Charitable giving by McKesson Corporation	US dollars	2,334,259	4,199,781

## GRI Content Index

GRI Standard/ Disclosure	Description	Page/Comment
GRI 101	Foundation 2016	
GRI 102	General Disclosure 2016	
<b>Organizational Profile</b>		
102-1	Name of the organization	McKesson Corporation
102-2	Activities, brands, products and services	See our <a href="#">Annual Report and Form 10-K</a> .
102-3	Location of headquarters	Our headquarters are at 6555 State Highway 161, Irving, Texas, U.S.
102-4	Location of operations	McKesson has significant operations in Austria, Belgium, Canada, Denmark, France, Germany, Ireland, Italy, the Netherlands, Norway, Portugal, Slovenia, Sweden, the United Kingdom and the United States. We also have a joint venture in the Netherlands.
102-5	Ownership and legal form	McKesson Corporation is a publicly held Delaware corporation that is listed on the New York Stock Exchange under ticker symbol MCK.
102-6	Markets served	See our <a href="#">Annual Report and Form 10-K</a> .
102-7	Scale of the organization	See our <a href="#">Annual Report and Form 10-K</a> .
102-8	Information on employees and other workers	<a href="#">pp. 15-20</a>
102-9	Supply chain	See <a href="#">2020 Proxy Statement, p.5</a>
102-10	Significant changes to the organization	No significant changes during FY20.
102-11	Precautionary principle or approach	<a href="#">pp.21-26</a>
102-12	External initiatives	<a href="#">p.46</a>

GRI Standard/ Disclosure	Description	Page/Comment
102-13	Membership in associations	McKesson is active in trade and industry associations. For example, McKesson is a member of the Healthcare Distribution Alliance; the Canadian Association for Pharmacy Distribution Management (CAPDM); and GIRP, the European Healthcare Distribution Association, among others.
<b>Strategy</b>		
102-14	Statement from senior decision-maker	<a href="#">pp.3-4</a>
<b>Ethics and Integrity</b>		
102-16	Values, principles, standards, norms	Across McKesson, we are guided by our Code of Conduct and our ICARE and ILEAD shared principles. These principles are a uniting force, connecting us across business units, geographies and functional areas. For details, please see <a href="#">mckesson.com</a> .
<b>Governance Structure</b>		
102-18	Governance approach	Our corporate governance strategy aims to secure our competitive position, strengthen confidence in our company and create value over the long term. Good corporate governance strengthens confidence among our shareholders, business partners and employees, promotes transparency in our company and contributes to sustainable growth.  See Our Take on Good Governance, <a href="#">pp.35-37</a>



## GRI Content Index

GRI Standard/ Disclosure	Description	Page/Comment
<b>Stakeholder Engagement</b>		
102-40	List of stakeholder groups	Our stakeholders include employees, communities, customers, suppliers, partners, investors, government/ policymakers and nongovernmental organizations. See description of materiality assessment, <a href="#">p.46</a>
102-41	Collective bargaining agreements	<a href="#">p.17</a>
102-42	Identifying and selecting stakeholders	We considered customers, government agencies, industry associations, investors, joint venture partners, non-governmental organizations, and suppliers.
102-43	Approach to stakeholder engagement	We engage internal stakeholders through regularly scheduled one-on-one meetings. During FY18, we engaged internal/external stakeholders through our materiality study, which included one-on-one interviews, group interviews, a survey and review of source materials.
102-44	Key topics and concerns raised	Three of our key topics for FY20 were eco-efficiency, product safety and consumer safety, and access to healthcare. In the U.S., McKesson's efforts to address the opioid epidemic was a key topic during FY20. For details, please see <a href="#">mckesson.com</a> .
102-45	Entities included in financial statements	<a href="#">Form 10-K, pp.3-7</a>

GRI Standard/ Disclosure	Description	Page/Comment
<b>Reporting Practices</b>		
102-46	Defining report content and topic boundaries	The boundary of this report is McKesson's worldwide operations, including Europe, Canada and the U.S.  We defined content through a materiality assessment, which included employees, customers, investors, suppliers, industry associations, government agencies, NGOs and joint venture partners. The process included the perspectives of internal and external stakeholders from Canada, Europe and the U.S.  Other components of the assessment included peer benchmarking, impact mapping, synthesis and analysis of results.
102-47	List of material topics	We have included all of the topics covered in our FY19 report.
102-48	Restatements of information	We are restating our FY19 Scope 1 figure and FY19 materials recycled figure. These are due to errors in last year's report.
102-49	Changes in reporting	No significant changes.
102-50	Reporting period	April 1, 2019 to March 31, 2020 (McKesson's Fiscal 2020)
102-51	Date of most recent report	October 2019
102-52	Reporting cycle	We report annually.
102-53	Contact point for questions regarding report	Please direct questions to <a href="mailto:corporate.impact@mckesson.com">corporate.impact@mckesson.com</a> .

## GRI Content Index

GRI Standard/ Disclosure	Description	Page/Comment
102-54	Claims of reporting in according w/GRI Standards	This report has been prepared in accordance with the <a href="#">GRI Standards: Core option</a> .
102-55	GRI content index	This table constitutes our GRI Content Index.
102-56	External assurance	We plan to pursue external assurance for future reports.
<b>Material Topics</b>		
<b>Economic Performance</b>		
<b>GRI 103: Management Approach 2016</b>		
GRI 103-1	Explanation of the material topic	<a href="#">p.46</a>
GRI 103-2	The management approach and its components	<a href="#">p.46</a>
GRI 103-3	Evaluation of the management approach	<a href="#">p.46</a>
<b>GRI 201: Economic Performance 2016</b>		
GRI 201-1	Direct economic value generated and distributed	Please see our <a href="#">Form 10-K</a> for detail on our FY20 annual revenues of \$231 billion.
GRI 201-2	Financial implications and other risks and opportunities due to climate change	We address climate change through our corporate responsibility and environmental sustainability efforts. Please see this report, <a href="#">pp.38-45</a>
<b>Indirect Economic Impacts</b>		
<b>GRI 103: Management Approach 2016</b>		
GRI 103-1	Explanation of the material topic and its boundaries	<a href="#">p.46</a>
GRI 103-2	The management approach and its components	<a href="#">pp.17-19, 22-24, 45</a>
GRI 103-3	Evaluation of the management approach	<a href="#">pp.35-36</a>

GRI Standard/ Disclosure	Description	Page/Comment
<b>GRI 203: Indirect Economic Impacts 2016</b>		
GRI 203-1	Infrastructure investments and services supported	<a href="#">pp.26-31</a>
<b>Anti-corruption</b>		
<b>GRI 103: Management Approach 2016</b>		
GRI 103-1	Explanation of the material topic and its boundaries	<a href="#">p.34</a>
GRI 103-2	The management approach and its components	<a href="#">p.34</a>
GRI 103-3	Evaluation of the management approach	<a href="#">p.34</a>
<b>GRI 205: Anti-corruption 2016</b>		
GRI 205-2	Communication and training about anti-corruption policies and procedures	<a href="#">p.34</a>
<b>Energy</b>		
<b>GRI 103: Management Approach 2016</b>		
GRI 103-1	Explanation of the material topic and its boundaries	<a href="#">p.39</a>
GRI 103-2	The management approach and its components	<a href="#">p.39</a>
GRI 103-3	Evaluation of the management approach	<a href="#">p.39</a>
<b>GRI 302: Energy 2016</b>		
GRI 302-1	Energy consumption within the organization	<a href="#">p.42</a>
GRI 302-4	Reduction of energy consumption	<a href="#">pp.39-42</a>

## GRI Content Index

GRI Standard/ Disclosure	Description	Page/Comment
<b>Water</b>		
<b>GRI 103: Management Approach 2016</b>		
GRI 103-1	Explanation of the material topic and its boundaries	<a href="#">p.43</a>
GRI 103-2	The management approach and its components	<a href="#">p.43</a>
GRI 103-3	Evaluation of the management approach	<a href="#">p.43</a>
<b>GRI 303: Water 2016</b>		
GRI 303-1	Total volume of water withdrawn with breakdown of source, standards used	<a href="#">p.43</a>
<b>Emissions</b>		
GRI 103-1	Explanation of the material topic and its boundaries	<a href="#">p.42</a>
GRI 103-2	The management approach and its components	<a href="#">p.42</a>
GRI 103-3	Evaluation of the management approach	<a href="#">p.42</a>
<b>GRI 305: Emissions 2016</b>		
GRI 305-1	Direct (Scope 1) GHG emissions	<a href="#">p.42</a>
GRI 305-2	Energy indirect (Scope 2) GHG emissions	<a href="#">p.42</a>
GRI 305-5	Reduction of GHG emissions	<a href="#">pp.39-42</a>

GRI Standard/ Disclosure	Description	Page/Comment
<b>Effluents and Waste</b>		
<b>GRI 103: Management Approach 2016</b>		
GRI 103-1	Explanation of the material topic and its boundaries	<a href="#">pp.43-44</a>
GRI 103-2	The management approach and its components	<a href="#">pp.43-44</a>
GRI 103-3	Evaluation of the management approach	<a href="#">pp.43-44</a>
<b>GRI 306: Effluents and Waste 2016</b>		
GRI 306-2	Waste by type and disposal method	<a href="#">p.43</a>
<b>Environmental Compliance</b>		
<b>GRI 103: Management Approach 2016</b>		
GRI 103-1	Explanation of the material topic and its boundaries	<a href="#">p.45</a>
GRI 103-2	The management approach and its components	<a href="#">p.45</a>
GRI 103-3	Evaluation of the management approach	<a href="#">p.45</a>
<b>GRI 307: Environmental Compliance 2016</b>		
GRI 307-1	Non-compliance with environmental laws & regulations	During the period covered by this report (April 1, 2019 through March 31, 2020), McKesson was in material compliance with all applicable environmental regulations. <a href="#">p.45</a>

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GRI Standard/ Disclosure	Description	Page/Comment
<b>Employment</b>		
<b>GRI 103: Management Approach 2016</b>		
GRI 103-1	Explanation of the material topic and its boundaries	<a href="#">pp. 15-20</a>
GRI 103-2	The management approach and its components	<a href="#">pp. 15-20</a>
GRI 103-3	Evaluation of the management approach	<a href="#">pp. 15-20</a>
<b>GRI 401: Employment 2016</b>		
GRI 401-1	New employee hires and employee turnover	We hired approximately 8,000 employees in the U.S. and Canada in FY20.
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	We operate in a number of countries and our benefits vary accordingly. These can include health and wellness benefits, savings programs to prepare for retirement, commuter subsidies to encourage the use of public transportation and flexible work arrangements when possible. We also offer programs that encourage employee community involvement, such as our company-wide McKesson Corporate Impact Champions recognition program.
<b>Occupational Health and Safety</b>		
<b>GRI 103: Management Approach 2016</b>		
GRI 103-1	Explanation of the material topic and its boundaries	<a href="#">pp. 19-20</a>
GRI 103-2	The management approach and its components	<a href="#">pp. 19-20</a>
GRI 103-3	Evaluation of the management approach	<a href="#">pp. 19-20</a>

GRI Standard/ Disclosure	Description	Page/Comment
<b>GRI 403: Occupational Health and Safety 2016</b>		
GRI 403-2	Types of injury and rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities	<a href="#">p.20</a>
<b>Training and Education</b>		
<b>GRI 103: Management Approach 2016</b>		
GRI 103-1	Explanation of the material topic and its boundaries	<a href="#">p.17</a>
GRI 103-2	The management approach and its components	<a href="#">p.17</a>
GRI 103-3	Evaluation of the management approach	<a href="#">p.17</a>
<b>GRI 404: Training and Education 2016</b>		
GRI 404-1	Average hours of training per year per employee	<a href="#">p.17</a>
<b>Diversity and Equal Opportunity</b>		
<b>GRI 103: Management Approach 2016</b>		
GRI 103-1	Explanation of the material topic and its boundaries	<a href="#">pp. 16-19</a>
GRI 103-2	The management approach and its components	<a href="#">pp. 16-19</a>
GRI 103-3	Evaluation of the management approach	<a href="#">pp. 16-19</a>
<b>GRI 405: Diversity and Equal Opportunity 2016</b>		
GRI 405-1	Breakout of employees and governing body members by gender, age and ethnicity	<a href="#">p.16</a>

## GRI Content Index

GRI Standard/ Disclosure	Description	Page/Comment
<b>Forced or Compulsory Labor</b>		
<b>GRI 103: Management Approach 2016</b>		
GRI 103-1	Explanation of the material topic and its boundaries	<a href="#">p.34</a>
GRI 103-2	The management approach and its components	<a href="#">p.34</a>
GRI 103-3	Evaluation of the management approach	<a href="#">p.34</a>
<b>GRI 409: Forced or Compulsory Labor 2016</b>		
GRI 409-1	Measures taken to eliminate all forced labor	<a href="#">pp.23,34</a>
<b>Public Policy</b>		
<b>GRI 103: Management Approach 2016</b>		
GRI 103-1	Explanation of the material topic and its boundaries	Please see the <a href="#">Political Engagement</a> page at mckesson.com and the <a href="#">Public Affairs</a> page at mckesson.eu.
GRI 103-2	The management approach and its components	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 officials about the solutions we offer to improve patient safety and improve the quality and efficiency of healthcare delivery. We believe that transparency and accountability are important, so we publicly disclose political contributions in the U.S., the only country where we make them. We are committed to complying with all applicable laws relating to our work.
GRI 103-3	Evaluation of the management approach	Please see our response to GRI 103-2 above.

GRI Standard/ Disclosure	Description	Page/Comment
<b>GRI 415: Public Policy 2016</b>		
GRI 415-1	Total monetary value of financial and in-kind donations made directly and indirectly, by country and recipient; how value is estimated	For details, please see our <a href="#">Political Contributions Report</a> .  All information is for the U.S. We do not make political contributions in Canada or Europe.
<b>Customer Health and Safety</b>		
<b>GRI 103: Management Approach 2016</b>		
GRI 103-1	Explanation of the material topic and its boundaries	<a href="#">pp.21-25</a>
GRI 103-2	The management approach and its components	<a href="#">pp.21-25</a>
GRI 103-3	Evaluation of the management approach	<a href="#">pp.21-25</a>
<b>GRI 416: Customer Health and Safety 2016</b>		
GRI 416-1	Percentage of product and service categories for which health and safety impacts are assessed for improvement	<a href="#">p.24</a>

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Except where noted, the information covered in this report highlights our performance and initiatives in fiscal year 2020. All calculations and statistics are in part dependent on the use of estimates and assumptions based on historical levels and projections and are therefore subject to change. This report has not been externally assured or verified by an independent third party. Statements regarding our future direction and intent are subject to change or withdrawal without notice and represent goals and objectives only.

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