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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended March 31 , 2024

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from_____ to_____

Commission File Number: 1-13252

McKESSON CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**94-3207296**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

6555 State Hwy 161 ,
Irving , TX 75039
(Address of principal executive offices, including zip code)
(972) 446-4800
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

(Title of each class)	*(Trading Symbol)*	*(Name of each exchange on which registered)*
Common stock, $0.01 par value	MCK	New York Stock Exchange
1.500% Notes due 2025	MCK25	New York Stock Exchange
1.625% Notes due 2026	MCK26	New York Stock Exchange
3.125% Notes due 2029	MCK29	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant, computed by reference to the closing price as of the last business day of the registrant's most recently completed second fiscal quarter, September 30, 2023, was approximately $ 57.8 billion.

Number of shares of common stock outstanding on April 30, 2024: 129,985,514

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for its calendar year 2024 Annual Meeting of Shareholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

McKESSON CORPORATION

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PART I

Item 1. Business.

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General

McKesson Corporation together with its subsidiaries (collectively, the “Company,” “McKesson,” “we,” “our,” or “us” and other similar pronouns), which traces its business roots to 1833, is a diversified healthcare services leader dedicated to advancing health outcomes for patients everywhere. Our teams partner with biopharma companies, care providers, pharmacies, manufacturers, governments, and others to deliver insights, products, and services to help make quality care more accessible and affordable.

The Company’s fiscal year begins on April 1 and ends on March 31. Unless otherwise noted, all references in this document to a particular year refers to the Company’s fiscal year. The Company was incorporated on July 7, 1994 in the State of Delaware.

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the “Exchange Act”), are available free of charge on the Company’s website (www.mckesson.com under the “Investors — Financials — SEC Filings” caption) as soon as reasonably practicable after such material is electronically filed with, or furnished to, the Securities and Exchange Commission (“SEC”). The content on any website referred to in this Annual Report on Form 10-K (“Annual Report”) is not incorporated by reference into this report, unless expressly noted otherwise. The SEC maintains a website that contains reports, proxy and information statements, and other information regarding issuers, including the Company, that file electronically with the SEC. The address of the website is www.sec.gov.

Business Segments

The Company operates its business in four reportable segments: U.S. Pharmaceutical, Prescription Technology Solutions ("RxTS"), Medical-Surgical Solutions, and International.

Our U.S. Pharmaceutical segment distributes branded, generic, specialty, biosimilar and over-the-counter ("OTC") pharmaceutical drugs, and other healthcare-related products in the United States ("U.S."). This segment provides practice management, technology, clinical support, and business solutions to community-based oncology and other specialty practices. In addition, the segment sells financial, operational, and clinical solutions to pharmacies (retail, hospital, alternate sites) and provides consulting, outsourcing, technological, and other services.

Our Prescription Technology Solutions segment helps solve medication access, affordability, and adherence challenges for patients by working across healthcare to connect patients, pharmacies, providers, pharmacy benefit managers, health plans, and biopharma. RxTS serves our biopharma and life sciences partners, delivering innovative solutions that help people get the medicine they need to live healthier lives. RxTS also offers prescription price transparency, benefit insight, dispensing support services, as well as third-party logistics and wholesale distribution support designed to benefit stakeholders.

Our Medical-Surgical Solutions segment provides medical-surgical supply distribution, logistics, and other services to healthcare providers, including physician offices, surgery centers, nursing homes, hospital reference labs, and home health care agencies. We offer more than 245,000 national brand medical-surgical products as well as McKesson's own line of high-quality products through a network of distribution centers in the U.S.

Our International segment provides distribution and services to wholesale, institutional, and retail customers in Canada and Europe where we own, partner, or franchise with retail pharmacies, and support better, safer patient care by delivering vital medicines, supplies, and information technology solutions.

U.S. Pharmaceutical Segment:

Our U.S. Pharmaceutical segment provides distribution and logistics services for branded, generic, specialty, biosimilar, and OTC pharmaceutical drugs along with other healthcare-related products to customers. This business provides solutions and services to pharmacies, hospitals, oncology and other specialty practices, pharmaceutical manufacturers, biopharma partners, physicians, payors, and patients throughout the U.S. We also source generic pharmaceutical drugs through our ClarusONE Sourcing Services LLP joint venture with Walmart Inc. ("ClarusONE").

Our U.S. Pharmaceutical segment operates and serves customers through a network of 27 distribution centers in the U.S., including two strategic redistribution centers. We invest in technology and other systems at all of our distribution centers to enhance safety, reliability, and product availability. For example, we offer McKesson Connect℠, an internet-based ordering system that provides item look-up and real-time inventory availability as well as ordering, purchasing, third-party reconciliation, and account management functionality. We make extensive use of technology as an enabler to ensure customers have the right products at the right time in the right place.

To maximize distribution efficiency and effectiveness, we follow the Six Sigma methodology, which is an analytical approach that emphasizes setting high-quality objectives, collecting data, and analyzing results to a fine degree in order to improve processes, reduce costs, and enhance service accuracy and safety. We provide solutions to our customers including supply management technology, world-class marketing programs, managed care, repackaging products, and services to help them meet their business and quality goals. We continue to implement information systems to help achieve greater consistency and accuracy both internally and for our customers, as well as make investments to increase capacity and automation.

We have four primary customer pharmaceutical distribution channels: (i) retail national accounts, which include national and regional retail chains, food and drug combinations, mail order pharmacies, and mass merchandisers, (ii) community pharmacies and health (formerly described as independent, small, and medium chain retail pharmacies), (iii) institutional healthcare providers such as hospitals, health systems, integrated delivery networks, and long-term care providers, and (iv) oncology, biopharma, and other specialty partners.

Retail National Accounts: We provide business solutions that help our retail national account customers increase revenues and profitability. Solutions include:

- Central Fill℠ – Prescription refill service that enables pharmacies to more quickly refill prescriptions remotely, more accurately, and at a lower cost, while reducing inventory levels and improving customer service.
- Strategic Redistribution Centers – Two facilities totaling over 740,000 square feet that offer access to inventory for single source warehouse purchasing, including pharmaceuticals and biologics. These distribution centers also provide the foundation for a two-tiered distribution network that supports best-in-class direct store delivery.
- McKesson SynerGx® – Generic pharmaceutical purchasing program and inventory management that helps pharmacies maximize their cost savings with a broad selection of generic drugs, competitive pricing, and one-stop shopping.
- Inventory Management – An integrated solution comprised of forecasting software and automated replenishment technologies that reduce inventory-carrying costs.
- ExpressRx Track™ – Pharmacy automation solution featuring state-of-the-art robotics, upgraded imaging, and expanded vial capabilities, and industry-leading speed and accuracy in a small footprint.

Community Pharmacy and Health: We strengthen the overall health of community pharmacies and elevate the role they play in people's lives. We accomplish this by providing supply chain excellence, pharmacy and patient solutions, as well as supporting independent pharmacies through industry and legislative advocacy. Our pharmacy and patient solutions include:

- Health Mart® – A national network of approximately 4,500 independently-owned pharmacies and one of the industry's most comprehensive pharmacy franchise programs. Health Mart provides franchisees support for operational excellence, managed care contracting, marketing, merchandising solutions, and clinical programs to enhance patient care.
- Health Mart Atlas® – Comprehensive managed care services that help community pharmacies save time, access competitive reimbursement rates, and improve cash flow.
- McKesson Reimbursement Advantage℠ ("MRA") – MRA is one of the industry's most comprehensive reimbursement optimization packages, comprising financial services (automated claim resubmission), analytic services, and customer care.
- McKesson Provider Pay® – Provider Pay is an automated reconciliation and payment management solution designed to maximize third-party cash flow and pursue unpaid claims.
- McKesson OneStop Generics® – Generic pharmaceutical purchasing program that helps pharmacies maximize their cost savings with a broad selection of generic drugs, competitive pricing, and one-stop shopping.
- Pinpoint Community Solutions – McKesson's perpetual inventory management system targeted to independent pharmacy owners with five or fewer stores. The solution provides customers the opportunity to improve cash flow and increase efficiency with inventory visibility to help maximize operational performance.
- FrontEdge™ – Strategic planning, merchandising, and price maintenance program that helps community pharmacies maximize store profitability.
- McKesson RxOwnership Program – A confidential, no-fee resource for pharmacists and pharmacy owners interested in buying, starting, or selling an independent pharmacy, regardless of their pharmacy affiliation.

Institutional Healthcare Providers: At McKesson, we are relentless in our pursuit of opportunities to achieve operational efficiency, reduce waste, and improve the financial performance of our customers so they can achieve more of their goals today and into the future. Solutions include:

- RxO Advisory Services – A suite of supply chain management, pharmacy optimization, and 340B program advisory services driven by data and analytics.

- McKesson Plasma and Biologics – Specialty and plasma drug distributor that leads in market exclusive drug access; partner to health systems customers in navigating the complexities of limited distribution drug; and optimization of McKesson Distribution benefits.
- Outpatient and Specialty Pharmacy – A portfolio of services and solutions customized to each customer's business and clinical strategy.
- Contracting and Contract/Purchasing Optimization – Solutions across generics, specialty, branded products, biosimilars, and 340B products, for inpatient and outpatient settings.
- Supply Assurance – Solutions and strategies to enhance product availability and proactively manage inventory of critical items.
- Patient Assistance Solutions – Technologies and services that enable health systems and providers to better financially support their patients and community benefit programs.

The U.S. Pharmaceutical segment also offers solutions which enable its customers to drive greater efficiencies in their day-to-day operations, effectively managing their inventories and complying with complex government regulations. Solutions include McKesson Pharmacy Systems, MacroHelix, and Supply Logix, all of which provide innovative software technology and services that support retail pharmacies and hospitals.

Oncology, Biopharma, and Other Specialty Partners:

The U.S. Pharmaceutical segment provides a range of solutions to oncology and other specialty practices and offers community specialists (oncologists, rheumatologists, ophthalmologists, urologists, neurologists, and other specialists) an extensive set of customizable solutions and services designed to strengthen core practice operations, enhance value-based care delivery, and expand their service offering to patients. Community-based physicians in this business have broad flexibility and discretion to select the products and commitment levels that best meet their practice needs. Services in provider solutions include specialty drug distribution, group purchasing organizations ("GPO") like Onmark®, technology solutions, practice consulting services, and vaccine distribution, including our exclusive distributor relationship with the Centers for Disease Control and Prevention's ("CDC") Vaccines for Children program. Additionally, McKesson has proudly supported the U.S. efforts to fight the pandemic caused by the SARS-CoV-2 coronavirus ("COVID-19") by distributing certain COVID-19 vaccines since December 2020 at the direction of the U.S. government. This program concluded in the second quarter of fiscal 2024, at which point we began transitioning the distribution of COVID-19 vaccines commercially through our customer pharmaceutical distribution channels.

This business provides a variety of solutions, including practice operations, healthcare information technology, revenue cycle management and managed care contracting solutions, evidence-based guidelines, and quality measurements to support The U.S. Oncology Network ("USON"), one of the nation's largest networks of physician-led, integrated, community-based oncology practices dedicated to advancing high-quality, evidence-based cancer care. SCRI Oncology, LLC, an oncology research business in which we own a 51% controlling interest, is one of the nation's largest research networks and specializes in enhancing clinical trial access and availability across the country.

This segment includes Ontada®, McKesson's oncology technology and insights business providing software to support the clinical, financial, and operational needs of our oncology practice customers. Ontada also partners with oncology providers and biopharma partners to perform real-world evidence studies, retrospective research, and to provide clinical data insights, advisory solutions and education opportunities.

When we discuss specialty products or services, we consider the following factors: diseases requiring complex treatment regimens such as cancer and rheumatoid arthritis; plasma and biologics products; ongoing clinical monitoring requirements, high-cost, special handling, storage, and delivery requirements and, in some cases, exclusive distribution arrangements. Our use of the term "specialty" may not be comparable to that used by other industry participants, including our competitors.

Prescription Technology Solutions Segment:

Our Prescription Technology Solutions segment works across healthcare to connect patients, pharmacies, providers, pharmacy benefit managers, health plans, and biopharma to deliver medication access solutions that support patients from first prescription fill to ongoing therapy, regardless of their insurance coverage. RxTS has connections with most electronic health record systems, over 50,000 pharmacies, approximately 950,000 providers, most pharmacy benefit managers and health plans, and has supported over 650 biopharma brands representing most therapeutic areas. Through its industry connections and ability to navigate the healthcare ecosystem, RxTS offers innovative solutions created to benefit healthcare stakeholders. Its comprehensive solution suites span across the entire patient journey, including medication access and affordability, prescription decision support, prescription price transparency, benefit insight and dispensing support services, as well as third-party logistics and wholesale distribution support, to help increase speed to therapy, reduce prescription abandonment, and support improved health outcomes for the patient. In the past year, RxTS helped patients save more than $8.8 billion on brand and specialty medications, helped to prevent an estimated 10.7 million prescriptions from being abandoned due to affordability challenges, and helped patients access their medicine more than 94 million times.

Medical-Surgical Solutions Segment:

Our Medical-Surgical Solutions segment delivers medical-supply distribution, logistics, biomedical maintenance, and other services to healthcare providers across the alternate-site spectrum. Our more than 285,000 customers include physician offices, surgery centers, post-acute care facilities, hospital reference labs, and home health agencies. We partner with manufacturers and channel partners to support our key target end-markets, including primary care, extended care, government, and other markets. We distribute medical-surgical supplies (such as gloves, needles, syringes, and wound care products), infusion pumps, laboratory equipment, and pharmaceuticals. Through a network of distribution centers in the U.S., we offer more than 245,000 products from national brand manufacturers and McKesson's own brand of high-quality products. Through the right mix of products and services, we help improve efficiencies, profitability, and compliance. We also never lose focus on helping customers improve patient and business outcomes. We develop customized plans to address the product, operational, and clinical support needs of our customers, including inventory management, reducing administrative burdens, and training and educating clinical staff. We deliver for our customers, so they can deliver and care for their patients.

International Segment:

Our International segment provides distribution and services to wholesale, institutional, and retail customers in Canada and Europe where we own, partner, or franchise with retail pharmacies. Our operations in Canada also support better, safer patient care by delivering vital medicines, supplies, and information technology solutions to customers, and through several retail health and wellness brands, across Canada.

McKesson Canada is one of the largest pharmaceutical wholesale and retail distributors in Canada. The wholesale business delivers products to retail pharmacies, hospitals, long-term care centers, clinics and institutions in Canada through a national network of distribution centers and provides logistics and distribution services for manufacturers.

Beyond wholesale pharmaceutical logistics and distribution, McKesson Canada provides automation and technology solutions to its retail and hospital customers. Additionally, McKesson Canada provides comprehensive specialty health services to Canadians and provides biopharma services to manufacturers, including a national network of specialty pharmacies, personalized patient care and support programs, and INVIVA, Canada's first and largest accredited network of private infusion clinics. McKesson Canada also owns and operates PDCI, Canada's leading market access consultancy, supporting manufacturers as they introduce new products into the Canadian market.

The Canada retail business includes approximately 2,700 banner pharmacies under the IDA®, Guardian®, The Medicine Shoppe®, Remedy'sRx®, Proxim®, and Uniprix® banners, and approximately 400 owned pharmacies under the Rexall ™ brand where we provide patients with greater choice and access, integrated pharmacy care and industry-leading service levels. McKesson Canada also owns and operates Well.ca™, a leading Canadian online health and wellness retailer.

In July 2021, we announced our intention to exit our businesses in Europe. We divested the majority of our European businesses during fiscal 2022 and fiscal 2023. Our remaining operations in Europe provide distribution and services to wholesale and retail customers in Norway where we own, partner, or franchise with retail pharmacies. We continue to evaluate suitable exit alternatives for our retail and distribution businesses in Norway. Refer to Financial Note 2, “Business Acquisitions and Divestitures,” to the consolidated financial statements included in this Annual Report for additional information on our European divestitures.

Investments, Restructuring, Business Combinations, and Divestitures

We invest in new and existing distribution centers to increase scale and capacity, improve efficiency through automation and technology, and enhance regulatory compliance capabilities. Additionally, we invest in data and analytics to support our growth priorities, including artificial intelligence (“AI”). We are in the early stages of exploring potential AI capabilities and related data and analytics across our enterprise to improve productivity and efficiency, as well as enhance our products and services to better support patients, employees, and customers.

We have undertaken additional strategic initiatives in recent years designed to increase operational efficiencies, focus on our core healthcare businesses, execute our business strategy, and enhance our competitive position. These initiatives are detailed in Financial Note 2, “Business Acquisitions and Divestitures,” and Financial Note 3, “Restructuring, Impairment, and Related Charges, Net,” to the consolidated financial statements included in this Annual Report.

Competition

We operate in highly competitive environments in North America and Norway. In recent years, the healthcare industry has been subject to increasing consolidation. In the pharmaceutical distribution environment in which our U.S. Pharmaceutical and International segments operate, we face strong competition from international, national, regional, and local full-line, short-line, and specialty distributors, service merchandisers, self-warehousing chain drug stores, manufacturers engaged in direct distribution, third-party logistics companies, and large payer organizations. We consider our largest competitors in distribution, wholesaling, and logistics to be Cencora, Inc. and Cardinal Health, Inc. Our retail businesses, which primarily operate in our International segment, face competition from various global, national, regional, and local retailers, including chain and independent pharmacies.

Our RxTS business experiences substantial competition from many companies, including other biopharma services companies, software services firms, consulting firms, shared service vendors, and internet-based companies with technology applicable to the healthcare industry. Competition in this business varies in size from large to small companies, in geographical coverage, and in scope and breadth of products and services offered.

Our Medical-Surgical Solutions segment provides medical-surgical supply distribution, logistics, and other services to healthcare providers, including physician offices, surgery centers, nursing homes, hospital reference labs, home health care agencies, and other alternative sites with competition from a wide range of national and regional medical supply and equipment distributors throughout the U.S.

In addition, we compete with other service providers and healthcare manufacturers, as well as other potential customers of our businesses, which may from time to time decide to develop, for their own internal needs, supply management capabilities that might otherwise be provided by our businesses. We believe that our scale and diversity of product and service offerings are our primary competitive advantages. In all areas, key competitive factors include price, quality of service, breadth of product lines, innovation, adoption of new and evolving technologies, and, in some cases, convenience to the customer.

Patents, Trademarks, Copyrights, and Licenses

McKesson and its subsidiaries hold patents, copyrights, trademarks, and trade secrets related to McKesson products and services. We pursue patent protection for our innovations and obtain copyright protection for our original works of authorship when such protection is advantageous. Through these efforts, we have developed a portfolio of patents and copyrights in the U.S. and worldwide. In addition, we have registered or applied to register certain trademarks and service marks in the U.S. and in foreign countries.

We believe that, in the aggregate, McKesson's confidential information, patents, copyrights, trademarks, and intellectual property licenses are important to its operations and market position, but we do not consider any of our businesses to be dependent upon any one patent, copyright, trademark, or trade secret, or any family or families of the same. We cannot guarantee that our intellectual property portfolio will be sufficient to deter misappropriation, theft, or misuse of our technology, nor that we can successfully enjoin infringers. We periodically receive notices alleging that our products or services infringe on third-party patents and other intellectual property rights. These claims may result in McKesson entering settlement agreements, paying damages, discontinuing use or sale of accused products, or ceasing other activities. While the outcome of any litigation or dispute is inherently uncertain, we do not believe that the resolution of any of these infringement notices would have a material adverse impact on our results of operations.

We hold inbound licenses for certain intellectual property that is used internally, and in some cases, utilized in McKesson's products or services. While in the future it may be necessary to seek or renew licenses relating to various aspects of our products and services, we believe, based upon past experience and industry practice, such licenses generally can be obtained on commercially reasonable terms. We believe our operations as well as our products and services are not materially dependent on any single license or other agreement with any third party.

Human Capital

Everything we do at McKesson begins with our employees, who bring our mission and purpose to life every day. As of March 31, 2024, we had approximately 51,000 employees worldwide, which includes 6,000 part-time employees. We had approximately 35,000 employees in the U.S., 13,000 employees in Canada, and 3,000 employees in Europe. Our employees in Europe primarily support our operations in Norway. We also supplement our work-force with contractors and/or consultants for certain business projects, processes, and/or operations as demand requires.

Inclusion and Belonging: As a company, we believe building a more inclusive future is everyone's responsibility. We build successful teams by fostering a culture of inclusion and belonging and ensuring we attract and retain the best talent at all levels of our organization. To help strengthen our company, we offer various learning opportunities, such as our company-wide inclusion curriculum and additional initiatives to recognize, value and leverage the diversity of our workforce, enhance the inclusiveness of our culture and candidly discuss important topics happening in the world around us. We also offer employees the opportunity to join employee resource groups ("ERGs"), which are voluntary, employee-led, company-sponsored networks that aim to make a positive impact on our employees' lives. Our ERGs focus on helping employees make authentic connections, share and affirm their identities and perspectives, showcase leadership skills and find ways to nurture and support belonging and empowerment. Our 11 ERGs provide a sense of community and insights into the perspectives and experiences across different ethnicities, genders, generations, abilities, and/or military/veteran status, as well as supporting members and allies of the LGBTQIA+ community.

At March 31, 2024, women and people of color represented the following:

	McKesson Overall		McKesson Leadership [2]	
Metric [1]				
Women	62	%	43	%
People of Color [3] [4]	49	%	28	%

(1) The data for our metrics is derived from our voluntary self-identification process as of March 31, 2024 and therefore represents our best estimate at this time.

(2) Represents our leadership at the vice president level and above.

(3) Represents U.S. employees only because the data for Canada and Europe is not available.

(4) People of Color includes the following self-identification categories: American Indian or Alaska Native, Asian, Black or African American, Hispanic or Latino, Native Hawaiian or Other Pacific Islander, or Two or More Races.

Culture and Leadership: One of McKesson's defining characteristics is our strong culture. Every day, we bring our employee value proposition to life by taking pride in fostering a sense of belonging, finding meaning in our work, and caring for each other, our customers, and all those who depend on us. More than two decades ago, our leadership team created a foundational set of values grounded in the belief that the way we do business is just as important as the business itself. Today, our I^{2}CARE values (Integrity, Inclusion, Customer-First, Accountability, Respect, Excellence) and ILEAD leadership behaviors (Inspire, Leverage, Execute, Advance, Develop) continue to stand the test of time and remain at the core of our daily actions – from how we interact with each other and our customers, to how we make decisions, both big and small. As we work to shape the future of health and embrace the ongoing evolution of our company, we will continue to utilize our strengths to drive lasting change while remaining deeply rooted in our purpose of Advancing Health Outcomes for All®.

Investment in Employees: As an industry leader, we are committed to investing in our people, so that they, in turn, can focus on making better health possible for people everywhere. We are committed to nurturing a culture of wellbeing that empowers our employees to be at their best, including offering health and wellness benefits to advance their physical, mental, and social well-being, savings programs to help prepare them for retirement and flexible work arrangements, among other offerings, when possible. To support growth and career development, we offer employees regular training, coaching, and 360-degree assessments, and financial assistance programs for higher education opportunities.

To provide compensation that is focused on attracting and retaining talent with the skills and experience necessary for a specific role, our compensation program is built on a set of quantifiable factors defined by our guiding principles of internal equity, market competitiveness and pay for performance. We operate in several countries and our benefits vary accordingly. Our compensation philosophy is rooted in a commitment to our people by offering a fair and transparent program that regularly assesses the competitive job market based on geography and cost of labor. We use external resources to provide competitive benchmarking analyses against other companies and set pay ranges around the median of the competitive market.As part of our commitment to pay transparency, the majority of our employees can view the competitive base pay range for their roles as well as for internal and external job postings. Also, the pay range for external job postings is included on McKesson's website (www.mckesson.com under the "Careers" caption).

As we strive to become the best place to work in healthcare, we actively seek employee feedback through annual and mid-year employee opinion surveys, which assesses our employees' levels of engagement, commitment and overall satisfaction using industry benchmarks, and then design action plans to improve those metrics. We also seek feedback on our people leaders through our annual manager quality survey, which is an opportunity for employees to help their managers grow professionally and build valuable leadership skills that help to promote a positive and productive workplace.

Health and Safety: Our security and safety teams employ systems designed to continually monitor our facilities and work environment to help identify and prevent or mitigate potential risks. This includes having procedures in place and investing in equipment for both physical and electronic security. We routinely assess facilities to closely monitor adherence to established security and safety standards. If we identify a vulnerability, it is documented, and the facility prepares an action plan. Our employees receive specialized training related to their role, work setting, and equipment used in their work environment. As our processes evolve, we update relevant safety training modules, which may include new employee training programs.

Government Regulation

We operate in many highly regulated industries and are subject to oversight by various federal, state, and local governmental entities in the U.S. and elsewhere. We incur significant expense and make large capital expenditures and investments to enable us to comply with regulations and guidance promulgated by governmental entities. See "Risk Factors" in Item 1A of Part I below for information regarding material risks associated with our compliance with governmental regulations.

Controlled Substances: We are subject to the operating and security standards of the U.S. Drug Enforcement Administration ("DEA"), the U.S. Food and Drug Administration ("FDA"), the U.S. Department of Health and Human Services ("HHS"), the Centers for Medicare & Medicaid Services ("CMS"), various state boards of pharmacy, state health departments, and comparable agencies in the U.S. and other countries. Certain of our businesses may be required to register for permits and/or licenses with government agencies, depending upon the type of operations and location of product development, manufacture, distribution, and sale. For example, we are required to hold valid DEA and state-level registrations and licenses, meet various security and operating standards, and comply with the Controlled Substances Act and its accompanying regulations governing the sale, marketing, packaging, holding, distribution, and disposal of controlled substances. We maintain extensive controlled substance monitoring and reporting programs at considerable expense in order to help us meet those standards.

Government Contracts: Our contracts with government entities typically are subject to procurement laws that include socio-economic, employment practices, environmental protection, recordkeeping and accounting, and other requirements. These statutory and regulatory requirements complicate our business and increase our compliance burden. We are subject to audits, investigations, and oversight proceedings about our compliance with contractual and legal requirements.

Federal, state, and local governmental entities in the U.S. and elsewhere continue to strengthen their position and scrutiny of practices that may indicate fraud, waste, and abuse affecting government healthcare programs such as Medicare and Medicaid. Our relationships with pharmaceutical and medical surgical product manufacturers, healthcare providers, and other companies and individuals, as well as our provision of products and services to government entities, subject our business to statutes, regulations, and government guidance that are intended to prevent fraud and abuse. Among other things, those laws: (1) prohibit persons from soliciting, offering, receiving, or paying any remuneration in order to induce the referral of an individual for, or to induce the ordering or purchasing of, items or services that are in any way paid for by Medicare, Medicaid, or other government healthcare programs; (2) impose many restrictions upon referring physicians and providers of designated health services under Medicare and Medicaid programs; and (3) prohibit the knowing submission of a false or fraudulent claim for payment to, and knowing retention of an overpayment by, a federal healthcare program such as Medicare and Medicaid. Many of these laws are vague or indefinite and are often subject to varied and evolving interpretations by courts, regulators, and enforcing agencies and, as such, may be interpreted or applied by a prosecutorial, regulatory, or judicial authority in a manner that could require us to make changes in our operations at added expense.

Healthcare Program Regulation: In the U.S., the Patient Protection and Affordable Care Act ("ACA") significantly expanded health insurance coverage to uninsured Americans and changed the way healthcare is financed by both governmental and private payors. The implementation of the Inflation Reduction Act of 2022 (the "IRA") has begun to change benefit design and how Medicare pays for drugs, which are all intended to reduce the price of drugs. Three central features of the IRA have authorized the government to negotiate drug prices for certain Parts B and D drugs over time, establish an inflation rebate program, and cap patient cost sharing under Medicare Part D.

Provincial governments in Canada that provide partial funding for the purchase of pharmaceuticals and independently regulate the sale and reimbursement of drugs have sought to reduce the costs of publicly funded health programs. For example, provincial governments have taken steps to reduce consumer prices for generic pharmaceuticals and, in some provinces, change professional allowances paid to pharmacists by generic drug manufacturers.

McKesson continues to advocate for policies that would improve drug cost transparency under a patient's drug plan to better inform prescribing decisions, and also address access to care, affordability, and treatment regimen adherence, all designed to improve clinical outcomes and reduce the health spending burden.

FDA Regulation and Supply Chain Integrity: In the U.S., the FDA is the principal federal authority that regulates the safety, efficacy, quality, testing, premarket approval, manufacture, labeling, storage, distribution, and post-market surveillance of healthcare products, such as drugs and medical devices, foods, and cosmetics.

Certain federal and state laws regulate the pharmaceutical drug supply chain in order to prevent the distribution of counterfeit, stolen, contaminated, or otherwise harmful prescription drugs in interstate commerce. At the federal level, the Drug Supply Chain Security Act ("DSCSA") requires standardized, unit-level traceability of pharmaceutical products along the entire drug supply chain and requires all trading partners to cooperate in an electronic, interoperable prescription drug traceability system. In August 2023, the FDA established a one-year stabilization period to certain DSCSA requirements that allows trading partners to implement, troubleshoot, and mature their electronic interoperable systems until the stabilization period ends on November 27, 2024. The FDA has also issued a proposed rule that would establish national standards for the licensure of wholesale drug distributors and third-party logistic providers and other requirements applicable to these entities. These federal and state regulatory requirements increase our compliance burden and our distribution costs.

Cybersecurity, Data Security, and Privacy: We are subject to many cybersecurity, privacy, and data protection laws that change frequently and have requirements that vary from jurisdiction to jurisdiction. Our efforts to comply with these laws complicates our operations and adds to our costs. We are subject to significant compliance obligations under privacy laws such as the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"), the General Data Protection Regulation ("GDPR") in the European Union, the Personal Information Protection and Electronic Documents Act ("PIPEDA") in Canada, and an expanding list of comprehensive state privacy laws in the U.S. Some privacy laws prohibit the transfer of personal information to certain other jurisdictions or otherwise limit our use of data. Many of these laws also require us to provide access or other data rights (modification, deletion, portability, etc.) to consumers' and patients' individual personal data records within specified periods of time. Cybersecurity laws such as the federal Cyber Incident Reporting for Critical Infrastructure Act of 2022, proposed Federal Acquisition Regulations, and recent amendments to SEC reporting requirements may require us to provide notifications of certain cybersecurity incidents before our investigations are complete and within short timeframes. Regulations and guidance targeting critical infrastructure entities, including McKesson, continue to be a focus of regulators. We are subject to privacy and data protection compliance audits or investigations by various government agencies. The introduction of new technologies, such as AI, may result in additional regulation.

Environmental Regulation: We are subject to many environmental and hazardous materials regulations, including those relating to radiation-emitting equipment operated at U.S. Oncology Network practices. Additionally, our operations are subject to regulations under various federal, state, local and foreign laws concerning the environment, including laws addressing the discharge of pollutants into the air and water, the management and disposal of hazardous substances and wastes, and the cleanup of contaminated sites.

We sold our chemical distribution operations in 1987 and retained responsibility for certain environmental obligations. Agreements with the U.S. Environmental Protection Agency and certain states have required and may require environmental assessments and cleanups at several closed sites. These matters are described further in Financial Note 17, "Commitments and Contingent Liabilities," to the consolidated financial statements included in this Annual Report.

Climate Change Regulation: Governments in the U.S. and abroad have adopted or are considering new or expanded policies and laws to address climate change. Such policies and laws may require or necessitate reductions of greenhouse gas ("GHG") emissions, mandates that companies implement processes and controls to monitor and disclose climate-related matters, additional taxes or offset charges on specified energy sources, and other requirements. Compliance with climate-related policies and laws may be further complicated by disparate regulatory approaches in various jurisdictions. Methodologies for reporting climate-related information may change and previously reported information may be retroactively adjusted, if required. New or expanded climate-related policies and laws could impose costs on us, including capital expenditures to develop data gathering and reporting systems, costly third-party attestations, and additional GHG reduction measures. Until the timing and extent of climate-related policies and laws are clarified, including due to legal challenges, we cannot predict their potential effect on our capital expenditures, results of operations, or competitive position.

Other Information about the Business

Customers: During fiscal 2024, sales to our ten largest customers, including group purchasing organizations ("GPOs") accounted for approximately 69% of our total consolidated revenues. Sales to our largest customer, CVS Health Corporation ("CVS"), accounted for approximately 28% of our total consolidated revenues in fiscal 2024. In fiscal 2023, we extended our pharmaceutical distribution partnership with CVS to June 2027. Our ten largest customers comprised approximately 43%, and CVS was approximately 24%, of our total trade accounts receivable at March 31, 2024. We also have agreements with GPOs, each of which functions as a purchasing agent on behalf of member hospitals, pharmacies, and other healthcare providers, as well as with government entities and agencies. The accounts receivable balances are with individual members of the GPOs, and therefore no significant concentration of credit risk exists. Substantially all of these revenues and accounts receivable are included in our U.S. Pharmaceutical segment.

Suppliers: We obtain pharmaceutical and other products from manufacturers and our largest supplier accounted for 12% of our total purchases in fiscal 2024. The loss of a supplier could adversely affect our business if alternate sources of supply are unavailable. We believe that our relationships with our suppliers are generally sound. The ten largest suppliers in fiscal 2024 accounted for approximately 67% of our total purchases.

Some of our distribution arrangements with manufacturers provide us consideration based on a percentage of our purchases. In addition, we have certain distribution arrangements with pharmaceutical manufacturers that include an inflation-based consideration component whereby we benefit when the manufacturers increase their prices as we sell our existing inventory at the new higher prices. For these manufacturers, a reduction in the frequency and magnitude of price increases, as well as restrictions in the amount of inventory available to us, could have an adverse impact on our gross profit margin.

Research and Development: Research and development expenses were $77 million, $89 million, and $70 million for the years ended March 31, 2024, 2023, and 2022, respectively.

Financial Information About Foreign and Domestic Operations: Certain financial information relating to foreign and domestic operations is discussed in Financial Note 20, "Segments of Business," to the consolidated financial statements included in this Annual Report as well as in "Foreign Operations" in Item 7 of Part II of this Annual Report. See "Risk Factors" in Item 1A of Part I below for information regarding risks associated with our foreign operations.

Forward-Looking Statements

This Annual Report, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of Part II of this report and the "Risk Factors" in Item 1A of Part I of this report, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 ("Securities Act") and Section 21E of the Exchange Act. Forward-looking statements may be identified by their use of terminology such as "believes," "expects," "anticipates," "may," "will," "should," "seeks," "approximately," "intends," "projects," "plans," "estimates," "targets," or the negative of these words or other comparable terminology. The discussion of financial trends, strategy, plans, assumptions, expectations, or intentions may also include forward-looking statements. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those projected, anticipated, or implied. Although it is not possible to predict or identify all such risks and uncertainties, they include, but are not limited to, the factors discussed in Item 1A of Part I of this report under "Risk Factors" and in our publicly available SEC filings and press releases. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date such statements were first made. Except to the extent required by federal securities laws, we undertake no obligation to publicly release the result of any revisions to any forward-looking statements to reflect events or circumstances after the date the statements are made, or to reflect the occurrence of unanticipated events.

Available Information

We routinely post on our company website, and via our social media channels, information that may be material to investors, including details and updates to information disclosed elsewhere, which may include business developments, earnings and financial performance, sustainability matters, and materials for presentations to investors and financial analysts. Investors are encouraged to monitor our website www.mckesson.com. Interested parties can sign up on our website, including our Investor Relations site, to receive automated e-mail alerts, such as via RSS newsfeed, when we post certain information. Interested parties can also follow our social media feed @McKesson on X, formerly known as Twitter. The content on any website or social media channel is not incorporated by reference into this report, unless expressly noted otherwise.

Item 1A. Risk Factors.

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The discussion below identifies certain representative risks that might cause our actual business results to materially differ from our estimates. It is not practical to identify or describe all risks and uncertainties that might materially impact our business operations, reputation, financial position, or results of operations. Our business could be materially affected by risks that we have not yet identified or that we currently consider to be immaterial. This is not a complete discussion of all potential risks and uncertainties.

Litigation and Regulatory Risks

We experience costly and disruptive legal disputes.

We are routinely named as a defendant in litigation or regulatory proceedings and other legal disputes, which may include asserted class action litigation, such as those described in Financial Note 17, “Commitments and Contingent Liabilities,” to the consolidated financial statements included in this Annual Report. Regulatory proceedings involve allegations such as false claims, healthcare fraud and abuse, and antitrust violations. Civil litigation proceedings involve commercial, employment, environmental, intellectual property, tort, and other claims. Despite valid defenses that we assert, legal disputes are often costly, time-consuming, distracting to management, and disruptive to normal business operations. The uncertainty and expense associated with unresolved legal disputes might harm our business and reputation even if the matter ultimately is favorably resolved. The outcome of legal disputes is difficult to predict, and outcomes may occur that we believe are not justified by the evidence or existing law. Outcomes include monetary damages, penalties and fines, and injunctive or other relief that requires us to change our business operations and incur significant expense. Accordingly, legal disputes might have a materially adverse impact on our reputation, our business operations, and our financial position or results of operations.

We experience losses not covered by insurance or indemnification.

Our business exposes us to risks that are inherent in the distribution, manufacturing, dispensing, and administration of pharmaceuticals and medical-surgical supplies, the provision of ancillary services, the conduct of our payer businesses, practice support services, and the provision of products that assist clinical decision-making and relate to patient medical histories and treatment plans. For example, pharmacy operations are exposed to risks such as improper filling of prescriptions, mislabeling of prescriptions, inadequacy of warnings, unintentional distribution of counterfeit drugs, and expiration of drugs. Although we seek to maintain adequate insurance coverage, such as property insurance for inventory and professional and general liability insurance, coverages on acceptable terms might be unavailable, or coverages might not cover our losses. We generally seek to limit our contractual exposure, but limitations of liability or indemnity provisions in our contracts may not be enforceable or adequately protect us from liability. Uninsured or non-indemnified losses might have a materially adverse impact on our business operations and our financial position or results of operations.

We experience costly legal disputes, government actions, and adverse publicity regarding our role in distributing controlled substances such as opioids.

The Company is a defendant in many litigation matters alleging claims related to the distribution of controlled substances (opioids), as described in Financial Note 17, "Commitments and Contingent Liabilities," to the consolidated financial statements in this Annual Report. We are sometimes named as a defendant in similar, new cases. The plaintiffs in those cases include governmental entities (such as states, provinces, counties, and municipalities) as well as businesses, groups, and individuals. The cases allege violations of controlled substance laws and other laws, and they make common law claims such as negligence and public nuisance. Many of these cases raise novel theories of liability and can have unexpected outcomes that we believe are not justified by evidence or existing law. Legal proceedings such as these often involve significant expense, management time and distraction, and risk of loss that can be difficult to predict or quantify. It is not uncommon for claims to be resolved over many years. Outcomes include monetary damages, penalties and fines, and injunctive or other relief that requires us to change our business operations and incur significant expense. Although the Company has valid defenses and is vigorously defending itself, some proceedings have been and others may be resolved by negotiated outcome. For example, we are subject to consent decrees issued by state courts that govern our distribution of controlled substances. Not all proceedings, however, are resolved by settlement. Our reputation has been and may continue to be impacted by publicity regarding opioids litigation and related allegations. An adverse outcome of any such legal proceedings might have a materially adverse impact on our business operations and our financial position or results of operations.

We experience increased costs to distribute controlled substances such as opioids.

Legislative, regulatory, or industry measures related to the distribution of controlled substances such as prescription opioids could affect our business in ways that we may not be able to predict. For example, some states have passed legislation that could require us to pay taxes or assessments on the distribution of opioid medications in those states and other states have considered similar legislation. Liabilities for taxes or assessments or other costs of compliance under any such laws might have a materially adverse impact on our reputation, our business operations, and our financial position or results of operations.

We are subject to extensive, complex, and challenging healthcare, environmental, and other laws.

As described in "Government Regulation" in Item 1 of Part I above, our industry is highly regulated, and further regulation of our distribution businesses, technology products, and services could impose increased costs, negatively impact our profit margins and the profit margins of our customers, delay the introduction or implementation of our new products, or otherwise negatively impact our business and expose the Company to litigation and regulatory investigations. We incur cleanup costs under environmental laws and may incur additional costs under environmental laws. Additionally, we are subject to various routine and ad hoc inspections and requests for information by government agencies to determine compliance with various statutes and regulations. Any noncompliance by us with applicable laws or the failure to maintain, renew, or obtain necessary permits and licenses could lead to enforcement actions or litigation and might have a materially adverse impact on our business operations and our financial position or results of operations.

We are subject to extensive and frequently changing laws relating to healthcare fraud, waste, and abuse.

As described in "Government Regulation" in Item 1 of Part I above, federal, state, and local governmental entities in the U.S. and elsewhere continue to strengthen their position and scrutiny over practices that may indicate fraud, waste, and abuse affecting government healthcare programs such as Medicare and Medicaid. Those laws may be interpreted or applied in a manner that could require us to make changes in our operations at added expense. Failures to comply with those laws, including the federal Anti-Kickback Statute, might expose us to federal or state government investigations or qui tam actions, and to liability for damages and civil and criminal penalties. Such failures might result in the loss of licenses or our ability to participate in Medicare, Medicaid, or other federal and state healthcare programs, or pursue government contracts. These sanctions might have a materially adverse impact on our business operations and our financial position or results of operations.

We might lose our ability to purchase, compound, store, or distribute pharmaceuticals and controlled substances.

As described in "Government Regulation" in Item 1 of Part I above, we are subject to the operating, quality, regulatory, and security requirements of the DEA, the FDA, various state boards of pharmacy, state health departments, the CMS, and other comparable agencies. Noncompliance with these requirements can result in inspectional observations, warning letters, product recalls, seizures, injunctions, and other administrative, civil, and criminal enforcement actions. Noncompliance, enforcement actions, or adverse decisions by regulators, or the inability to obtain, maintain, or renew permits, licenses, or other regulatory approvals needed for the operation of our businesses might have a materially adverse impact on our business operations and our financial position or results of operations.

Privacy, data protection, and cybersecurity laws increase our compliance burden.

As described in "Government Regulation" in Item 1 of Part I above, we are subject to a variety of privacy and data protection laws that change frequently and have requirements that vary from jurisdiction to jurisdiction. Failure to comply with these laws subjects us to potential regulatory enforcement activity, fines, private litigation including class actions, reputational impacts, and other costs. We also have contractual obligations that might be breached if we fail to comply with privacy and data security laws. Our efforts to comply with privacy and data security laws complicate our operations and add to our costs. A significant privacy breach or failure to comply with privacy and data security laws, by us or by external service providers, vendors, or other third parties with which we do business, might have a materially adverse impact on our reputation, our business operations, and our financial position or results of operations.

Anti-bribery and anti-corruption laws increase our compliance burden.

We are subject to laws prohibiting improper payments and bribery, including the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, and similar regulations in other jurisdictions. Our failure to comply with these laws might subject us to civil and criminal penalties that might have a materially adverse impact on our reputation, our business operations, and our financial position or results of operations.

Company and Operational Risks

We might record significant charges from impairment to goodwill, intangibles, and other long-lived assets.

We are required under U.S. Generally Accepted Accounting Principles ("GAAP") to test our goodwill for impairment annually or more frequently if indicators for potential impairment exist. Indicators that are considered include significant changes in performance relative to expected operating results, significant changes in the use of the assets, significant negative industry or economic trends, or a significant decline in the Company's stock price and/or market capitalization for a sustained period of time. In addition, we periodically review our intangible and other long-lived assets for impairment when events or changes in circumstances, such as a divestiture, indicate the carrying value may not be recoverable. Factors that may be considered a change in circumstances indicating that the carrying value of our intangible and other long-lived assets may not be recoverable include slower growth rates, the loss of a significant customer, burdensome new laws, or divestiture of a business or asset for less than its carrying value. There are inherent uncertainties in management's estimates, judgments, and assumptions used in assessing recoverability of goodwill, intangibles, and other long-lived assets. Any material changes in key assumptions, including failure to meet business plans, negative changes in government reimbursement rates, a deterioration in the U.S. and global financial markets, an increase in interest rates, an increase in inflation, or an increase in the cost of equity financing by market participants within the industry, or other unanticipated events and circumstances, may decrease the projected cash flows or increase the discount rates and could potentially result in an impairment charge. We may be required to record a significant charge to earnings in our consolidated financial statements during the period in which any impairment of our goodwill or intangible and other long-lived assets is determined, which might have a materially adverse impact on our business operations and our financial position or results of operations.

We experience cybersecurity incidents that might significantly compromise our technology systems or might result in material data breaches.

We, our external service providers, vendors, and other third parties with which we do business, use technology and systems to perform our business operations, such as the secure electronic transmission, processing, storage, and hosting of sensitive information, including protected health information and other types of personal information, confidential financial information, proprietary information, and other sensitive information relating to our customers, company, and workforce. Despite conducting our own physical, technical, and administrative security measures as well as third party risk management processes as discussed in "Cybersecurity" in Item 1C of Part I below , technology systems and operations of the Company and third parties, including our external service providers and vendors, with which we do business have experienced cybersecurity incidents and are subject to future cyberattacks and cybersecurity incidents. Cybersecurity incidents include unauthorized occurrences on or conducted through our or our third parties' information systems, such as tampering, malware insertion, ransomware attacks, or other system integrity events. The risk and efficacy of cyberattacks increases from time to time due to a variety of internal and external factors, including the adoption of sophisticated and rapidly evolving techniques, such as adversarial AI, and during political tensions, military conflicts, or civil unrest. A cybersecurity incident might involve a material data breach or other material impact to the confidentiality, integrity, availability, and operations of our technology systems or data, which might result in harm to patients, consumers, or employees; litigation or regulatory action; disruption of our business operations; loss of customers or revenue; cash flow impacts; and increased expense. Any of these scenarios might have a materially adverse impact on our business, our reputation, and our financial position or results of operations.

We experience significant problems with information systems or networks.

We rely on sophisticated information systems and networks to perform our business operations, such as to obtain, rapidly process, analyze, and manage data that facilitate the purchase and distribution of thousands of inventory items from distribution centers. We provide remote services that involve hosting customer data and operating software on our own or third-party systems. Our customers rely on their ability to access and use these systems and their data as needed. The networks and hosting systems are vulnerable to interruption or damage from sources beyond our control, such as power loss, telecommunications failures, fire, natural disasters, including as a result of climate change, software and hardware failures, and cybersecurity incidents. If those information systems or networks suffer errors, interruptions, or become unavailable, or if the timely delivery of medical care or other customer business requirements are impaired by data access, network, or systems problems, we might experience injury to patients or consumers, litigation or regulatory action, disruption of our business operations, loss of customers or revenue, cash flow impacts, and increased expense. Any such problems might have a materially adverse impact on our business, our reputation, and our financial position or results of operations.

Our technology products or services might not conform to specifications or perform as we intend.

We sell and provide services involving complex software and technology that may contain errors, especially when first introduced to market. Healthcare professionals delivering patient care tend to have heightened sensitivity to system and software errors. If our software and technology services are alleged to have contributed to faulty clinical decisions, compromised continuity of patient care, or injury to patients, we might be subject to regulatory scrutiny, claims or litigation by users of our software or services and/or their patients. Errors or failures might damage our reputation and negatively affect future sales. A failure of a system or software to conform to specifications might constitute a breach of warranty that could result in repair costs, contract termination, refunds of amounts previously paid, or claims for damages. These risks can be heightened upon the adoption of rapid evolution or new technologies, including AI, and may introduce new or expanded risks, such as data inaccuracy, unreliability, or bias. Any of these types of errors or failures might have a materially adverse impact on our reputation, our business operations, and our financial position or results of operations.

Pharmaceutical and medical products that we distribute might not conform to specifications or perform as intended.

We distribute pharmaceutical, medical, and other FDA-regulated products manufactured by third parties and by our private label businesses, including medications that may be temperature sensitive and have limited shelf lives. Our systems and procedures are designed to maintain the safety and efficacy of the products throughout the sourcing and distribution process. Issues affecting product efficacy or safety can arise from manufacturing, storing, distributing, dispensing or using products, and can result in safety alerts, recalls, regulatory action, civil lawsuits, fines or other sanctions, and reputational damage. Any of these types of issues or results might have a materially adverse impact on our reputation, our business operations, and our financial position or results of operations.

We might not realize expected benefits from business process initiatives.

We may implement restructuring, cost reduction, or other business process initiatives that might result in significant charges and expenses, failures to achieve our desired objectives, or unintended consequences such as distraction of our management and employees, business disruption, attrition beyond any planned reduction in workforce, inability to attract or retain key personnel and reduced employee productivity. Any of these risks might have a materially adverse impact on our business operations and our financial position or results of operations.

We might be unable to successfully complete or integrate acquisitions or other business combinations.

Our growth strategy includes consummating acquisitions or other business combinations that either expand or complement our business. To fund acquisitions, we may require financing that may not be available on acceptable terms. We may not receive regulatory approvals needed to complete proposed transactions, or such approvals may be subject to delays or conditions that reduce transaction benefits. Achieving the desired outcomes of business combinations involves significant risks including: diverting management's attention from other business operations; challenges with assimilating the acquired businesses, such as integration of operations, systems, and technologies; failure or delay in realizing operating synergies; difficulty retaining key acquired company personnel; unanticipated accounting or financial systems issues with the acquired business, which might affect our internal controls over financial reporting; unanticipated compliance issues in the acquired business; unknown or unanticipated cybersecurity issues; challenges retaining customers of the acquired business; unanticipated expenses or charges to earnings, including depreciation and amortization or potential impairment charges; and risks of known and unknown assumed liabilities in the acquired business. Any of these risks could adversely affect our ability to achieve the anticipated benefits of an acquisition and might have a materially adverse impact on our business operations and our financial position or results of operations.

We might be adversely impacted by delays or other difficulties with divestitures.

When we decide to sell assets or a business, we may encounter difficulty in finding buyers or exit strategies on acceptable terms or in a timely manner, which could delay the achievement of our strategic objectives. After the disposition, we might experience greater dissynergies than expected, and the impact of the divestiture on our revenue or profit might be larger than we expected. We might have difficulties with pre-closing conditions such as regulatory and governmental approvals, which could delay or prevent the divestiture. We might have financial exposure in a divested business, such as through minority equity ownership, financial or performance guarantees, indemnities, or other obligations, such that conditions outside of our control might negate the expected benefits of the disposition. Any of these risks could adversely affect our ability to achieve the anticipated benefits of a divestiture and might have a materially adverse impact on our business operations and our financial position or results of operations.

We might not realize the expected tax treatment from our split-off of Change Healthcare.

On March 10, 2020, the Company completed a separation of its interest in Change Healthcare LLC ("Change Healthcare JV"). The divestiture was effected through the split-off of PF2 SpinCo, Inc. ("SpinCo"), a wholly owned subsidiary of the Company that held all of the Company's interest in the Change Healthcare JV, to certain of the Company's stockholders through an exchange offer (the "Exchange Offer"), followed by a merger of SpinCo with and into Change Healthcare Inc. ("Change"), with Change surviving the merger (the "Merger" and, together with the Exchange Offer, the "Transactions"). The Company received an opinion from outside legal counsel to the effect that the Transactions qualified as generally tax-free transactions to the Company and its shareholders for U.S. federal income tax purposes. An opinion of legal counsel is not binding on the Internal Revenue Service (the "IRS") or the courts, and the IRS or the courts may not agree with the intended tax-free treatment of the Transactions. In addition, the opinion could not be relied upon if certain assumptions, representations, and undertakings upon which the opinion was based are materially inaccurate or incomplete, or are violated in any material respect. If the intended tax-free treatment of the Transactions is not sustained, the Company and its stockholders who participated in the Transactions may be required to pay substantial U.S. federal income taxes. In connection with the Transactions, the Company, SpinCo, Change, and the Change Healthcare JV entered into the Tax Matters Agreement, which governs their respective rights, responsibilities, and obligations with respect to tax liabilities and benefits, tax attributes, tax contests, and other tax sharing regarding U.S. federal, state, and local, and non-U.S. taxes, other tax matters, and related tax returns. Under the Tax Matters Agreement, Change is required to indemnify the Company if the Transactions become taxable as a result of certain actions by Change or SpinCo, or as a result of certain changes in ownership of the stock of Change after the Merger. If Change does not honor its obligations to indemnify the Company, or if the Transactions fail to qualify for the intended tax-free treatment for reasons not related to a disqualifying action by Change or SpinCo, the resulting tax to the Company could have a significant adverse effect on our financial position or results of operations.

We might be adversely impacted by outsourcing or similar third-party relationships.

We rely on third parties to perform certain business and administrative functions for us. We might not adequately develop, implement, and monitor these outsourced service providers, and we might not realize expected cost savings or other benefits. Third-party services providers experience cybersecurity incidents and can fail to perform their obligations due to various causes, which might cause us to incur operational difficulties, additional compliance requirements, or increased costs related to outsourced services. For example, our ability to use outsourcing resources in certain jurisdictions might be limited by legislative action or customer contracts, with the result that the work must be performed at greater expense or we may be subject to sanctions for non-compliance. Any of these risks might have a materially adverse impact on our business operations and our financial position or results of operations.

We may be unsuccessful in achieving our strategic growth objectives.

Our business strategy as a diversified healthcare services company includes investing to build an integrated oncology service business and expand our biopharma services business. Our ability to grow those businesses will depend on our: hiring and retaining talented individuals with necessary knowledge and skills; acquiring, developing, and implementing new technologies and capabilities; forming and expanding business relationships; and successfully competing against providers of similar services. New technologies may not result in the benefits we anticipate or enable us to maintain a competitive advantage. AI technology is continuously evolving, and the AI technologies we employ may become obsolete earlier than planned. Additionally, some historical competitors and a growing number of new competitive entrants have more experience than we do in enabling technologies such as data analytics, machine learning, or AI.

We may not achieve our desired return on our investments through our growth strategies. If we fail to achieve acceptable sales and profitability in our strategic growth areas, it might have a materially adverse impact on our business prospects and our financial position or results of operations.

We are impacted by customer purchase reductions, contract non-renewals, payment defaults, and bankruptcies.

Some of our customers from time to time reduce the amounts they purchase from us, do not renew their purchase contracts with us, delay or default on their payments to us, or avoid payments to us through bankruptcy proceedings. At March 31, 2024, sales to our largest customer represented approximately 28% of our total consolidated revenues and approximately 24% of our total trade receivables, and those of our ten largest customers combined accounted for approximately 69% of our consolidated revenues and approximately 43% of our trade receivables. Refer to “Other Information about the Business” in Item 1 of Part I above for additional details on our customers. One or more customer purchase reductions, contract non-renewals, payment defaults, or bankruptcies might have a materially adverse impact on our business operations and our financial position or results of operations.

Our contracts with government entities involve future funding and compliance risks.

Our contracts with government entities are subject to risks such as lack of funding and compliance with unique requirements. For example, government contract purchase obligations are typically subject to the availability of funding, which may be eliminated or reduced. In addition, the future volume of products or services purchased by a government customer is often uncertain. Our government contracts might not be renewed or might be terminated for convenience with little prior notice. Government contracts typically expose us to higher potential liability than do other types of contracts. In addition, government contracts typically are subject to procurement laws that include socio-economic, employment practices, environmental protection, recordkeeping and accounting, and other requirements. For example, our contracts with the U.S. government generally require us to comply with the Federal Acquisition Regulations, Procurement Integrity Act, Buy American Act, Trade Agreements Act, and other laws and regulations. We are subject to government audits, investigations, and oversight proceedings. Government agencies routinely review and audit government contractors to determine whether they are complying with contractual and legal requirements. If we fail to comply with these requirements, or we fail an audit, we may be subject to various sanctions such as monetary damages, criminal and civil penalties, termination of contracts, and suspension or debarment from government contract work. These requirements complicate our business and increase our compliance burden. The occurrence of any of these risks could harm our reputation and might have a materially adverse impact on our business operations and our financial position or results of operations.

We might be harmed by changes in our relationships or contracts with suppliers.

We attempt to structure our pharmaceutical distribution agreements with manufacturers to ensure that we are appropriately and predictably compensated for the services we provide. Certain distribution agreements with manufacturers include pharmaceutical price inflation as a component of our consideration, and we cannot control the frequency or magnitude of pharmaceutical price changes. Laws limiting or reducing pharmaceutical prices, and changes to manufacturers' pricing policies or practices as a result of changing laws, impact our distribution agreements. We might be unable to renew pharmaceutical distribution agreements with manufacturers in a timely and favorable manner. Any of these risks might have a materially adverse impact on our business operations and our financial position or results of operations.

We might infringe intellectual property rights or our intellectual property protections might be inadequate.

We believe that our products and services do not infringe the proprietary rights of third parties, but third parties have asserted infringement claims against us and may do so in the future. If a court were to hold that we infringed other's rights, we might be required to pay substantial damages, develop non-infringing products or services, obtain a license, stop selling or using the infringing products or services, or incur other sanctions. We rely on trade secret, patent, copyright, and trademark laws, nondisclosure obligations, and other contractual provisions and technical measures to protect our proprietary rights in our products and solutions. We might initiate costly and time-consuming litigation to protect our trade secrets, to enforce our patent, copyright, and trademark rights and to determine the scope and validity of the proprietary rights of others. Our intellectual property protection efforts might be inadequate to protect our rights. Our competitors might develop non-infringing products or services equivalent or superior to ours. Any of these risks might have a materially adverse impact on our business operations and our financial position or results of operations.

Our use of third-party data is subject to limitations that could impede the growth of our data services business.

We attempt to structure our diligence processes to satisfy contractual and other operative data usage rights and limitations associated with customer, industry partners, and other third-party data flowing through our businesses. These rights and limitations can apply to confidential commercial data and personal data provided to us. Failure to satisfy these data usage rights and limitations can lead to legal claims such as contractual breaches or privacy law violations. If a court were to hold that our use of data is not consistent with our rights and limitations, we might be required to pay substantial damages; we might need to stop using, sharing, and/or selling certain products and services; or we might incur other financial, legal, and/or reputational consequences. In addition, in order to reach our data strategy growth and AI objectives, we might be unable to negotiate and/or obtain at an acceptable cost the data usage rights needed to advance such goals. Any of these risks might have a materially adverse impact on our business operations and our financial position or results of operations.

We might be unable to successfully recruit and retain qualified employees.

Our ability to attract, engage, develop, and retain qualified and experienced employees, including key executives and other talent, is essential for us to meet our objectives. We compete with many other businesses to attract and retain employees. Competition among potential employers results in increased salaries, benefits, or other employee-related costs, or in our failure to recruit and retain employees. We may experience sudden loss of key personnel due to a variety of causes, such as illness, and must adequately plan for succession of key management roles. Employees might not successfully transition into new roles. Separately, there is increased scrutiny on companies' diversity, equity, and inclusion ("DEI") initiatives. Negative perception of our DEI initiatives, whether due to our perceived over or under pursuit of such initiatives, may likewise result in issues hiring or retaining employees, as well as potential litigation or other adverse impacts. Any of these risks might have a materially adverse impact on our business operations and our financial position or results of operations.

Industry and Economic Risks

We might be adversely impacted by healthcare reform such as changes in pricing and reimbursement models.

Many of our products and services are designed and intended to function within the structure of current healthcare financing and reimbursement systems. The healthcare industry and related government programs are changing. Some of these changes increase our risks and create uncertainties for our business.

For example, some changes in reimbursement methodologies (including government rates) for pharmaceuticals, medical treatments, and related services reduce profit margins for us and our customers and impose new legal requirements on healthcare providers. Those changes have included cuts in Medicare and Medicaid reimbursement levels, changes in the basis for payments, shifts from fee-for-service pricing towards value-based payments and risk-sharing models, and increases in the use of managed care.

In the U.S., the ACA significantly expanded health insurance coverage to uninsured Americans and changed the way healthcare is financed by both governmental and private payors. Enactment of the IRA and its implementation over the next several years is anticipated to bring meaningful changes in how Medicare pays for drugs and various benefit design changes, which are all intended to reduce the price of drugs. Three central features of the IRA would authorize the government to negotiate drug prices for certain Parts B and D drugs over time, establish an inflationary rebate program, and cap patient cost sharing under Medicare Part D. The implementation of these and other features of the IRA may result in significant changes to the pharmaceutical value chain as manufacturers, pharmacy benefit managers, managed care organizations, and other industry stakeholders look to implement new transactional flows and adapt their business models. Any such changes to arrangements involving our business as a result of this legislation, such as changes to our distribution agreements with manufacturers impacted by the IRA, may materially affect our business. The extent of the effects of the IRA remains uncertain due to a number of factors, including the potential for future regulations and guidance promulgated by HHS to implement provisions of the IRA. We continue to evaluate the impact of this law on our business.

Private challenges to government healthcare policy may also have significant impacts on our business. For example, many pharmaceutical manufacturers have unilaterally restricted sales under the 340B drug pricing program to contract pharmacies. The 340B drug pricing program requires manufacturers to offer discounts on certain drugs purchased by “covered entities,” which include safety-net providers. The Health Resources and Services Administration has taken the position that a covered entity may dispense such discounted drugs through multiple contract pharmacies. Starting in 2020, some manufacturers began to restrict such practices. Some manufacturers and HHS continue to litigate these issues. The U.S. Court of Appeals for the Third Circuit has ruled that Section 340B does not require manufacturers to provide discounted drugs to an unlimited number of contract pharmacies. Two other courts of appeal are addressing this issue but have not yet ruled. Any changes to our arrangements that result from the rulings in these cases might have an adverse impact on our business.

Provincial governments in Canada that provide partial funding for the purchase of pharmaceuticals and independently regulate the sale and reimbursement of drugs have sought to reduce the costs of publicly funded health programs. For example, provincial governments have taken steps to reduce consumer prices for generic pharmaceuticals and, in some provinces, change professional allowances paid to pharmacists by generic manufacturers.

Although there is substantial uncertainty about the likelihood, timing, and results of these health reform efforts, their implementation might have a materially adverse impact on our business operations and our financial position or results of operations.

We might be adversely impacted by competition and industry consolidation.

Our businesses face a highly competitive global environment with strong competition from international, national, regional, and local full-line, short-line, and specialty distributors, service merchandisers, self-warehousing chain drug stores, manufacturers engaged in direct distribution, third-party logistics companies, and large payer organizations. In addition, our businesses face competition from various other service providers and from pharmaceutical and other healthcare manufacturers as well as other potential customers, which may from time-to-time decide to develop, for their own internal needs, supply management capabilities that might otherwise be provided by our businesses. We also may face competition from companies that move faster to adopt emerging technologies. Due to consolidation, a few large suppliers control a significant share of the pharmaceuticals market. This concentration reduces our ability to negotiate favorable terms with suppliers and causes us to depend on a smaller number of suppliers. Many of our customers, including healthcare organizations, have consolidated or joined group purchasing organizations and have greater power to negotiate favorable prices. Consolidation by our customers, suppliers, and competitors might reduce the number of market participants and give the remaining enterprises greater bargaining power, which might lead to erosion in our profit margin. Consolidation might increase counter-party credit risk because credit purchases increase for fewer market participants. These competitive pressures and industry consolidation might have a materially adverse impact on our business operations and our financial position or results of operations.

We are adversely impacted by changes or disruptions in product supply and have difficulties in sourcing or selling products due to a variety of causes.

We experience difficulties and delays in sourcing and selling products due to a variety of causes, from time to time, such as: difficulties in complying with the legal requirements for export or import of pharmaceuticals or components; suppliers' failure to satisfy production demand; manufacturing or supply problems such as inadequate resources; new innovative therapies that are expensive, complex, and fast-growing; product rationalization; and real or perceived quality issues. For example, the FDA banned certain manufacturers from selling raw materials and drug ingredients or finished goods in the U.S. due to quality issues. Difficulties in product manufacturing or access to raw materials or finished goods could result in supplier production shutdowns, product shortages, and other supply disruptions.

Supply interruptions are often due to a variety of causes over which we have no control, such as export controls or trade sanctions, labor disputes, unavailability of key manufacturing sites, inability to procure raw materials or finished goods, quality control concerns, ethical sourcing issues, supplier's financial distress or bankruptcy, natural disasters, including as a result of climate change, civil unrest or acts of war, the impact of epidemics or pandemics, and other general supply constraints. In these situations there may be no alternative sources of supply. Our inventory might be requisitioned, diverted, or allocated by government order such as under emergency, disaster, and civil defense declarations. Changes in the healthcare industry's or our suppliers' pricing, selling, inventory, distribution, or supply policies or practices could significantly reduce our revenues and net income. Any of these changes or disruptions might have a materially adverse impact on our business operations and our financial position or results of operations.

We might be adversely impacted as a result of our distribution of generic pharmaceuticals.

Our generic pharmaceuticals distribution business is subject to both availability and pricing risks. We might experience disruptions in our supply of higher margin pharmaceuticals, including generic pharmaceuticals. We have been impacted when, due to regulatory and supply chain challenges, our supplier partners are not able to deliver products that we have committed to purchase and source from them. Input cost increases and market shortages could result in ClarusONE, our joint venture with Walmart Inc., being unsuccessful in sourcing product to meet the needs of our customers, or negatively impacting our margin. Generic drug manufacturers offer a generic version of branded pharmaceuticals and routinely challenge the validity or enforceability of branded pharmaceutical patents in order to launch the drug pre- or post-loss of exclusivity. Patent holders have asserted infringement claims against us for distributing those generic versions they believed to have infringed a patent, and the generic drug manufactures may not fully indemnify us against such claims. These risks and outcomes, as well as changes in the availability, pricing volatility, regulatory, or significant changes in the nature, frequency, or magnitude of generic pharmaceutical launches, might have a materially adverse impact on our business operations and our financial position or results of operations.

We might be adversely impacted by changes in the economic environments in which we operate, including from inflation, an economic slowdown, or a recession.

Inflationary conditions result in increased transportation, operational, and other administrative costs associated with our normal business operations and decreased levels of consumer commercial spending and, to the extent we are not able to offset such cost increases from our suppliers, increase the costs which we incur to purchase inventories and services. Inflationary pressure is increased by factors such as supply chain disruptions, including the reduced availability of key commodities, labor market tightness, and government policies that lower interest rates or do not raise them sufficiently to counteract inflation. An economic slowdown or a recession could reduce the prices our customers are able or willing to pay for our products and services and reduce the volume of their purchases. In addition to rising inflation, rising interest rates, the impact of banking failures or perceived failures and related contagion, political tensions, military conflicts, and civil unrest may contribute to recessionary pressure. Changes in the economic environments in which we operate might have a materially adverse impact on our business operations and our financial position or results of operations.

Changes affecting capital and credit markets might impede access to credit, increase borrowing costs, and disrupt banking services for us and our customers and suppliers and might impair the financial soundness of our customers and suppliers.

Volatility and disruption in global capital and credit markets, including the bankruptcy or restructuring of certain financial institutions, reduced lending activity by financial institutions, reduced creditworthiness of our customers or suppliers, or decreased liquidity and increased costs in the commercial paper market, might adversely affect the borrowing ability and cost of borrowing for us and our customers and suppliers. We generally sell our products and services under short-term unsecured credit arrangements. An adverse change in general or entity specific economic conditions or access to capital might cause our customers to reduce their purchases from us, or delay or fail paying amounts owed to us. Suppliers might increase their prices, reduce their output, or change their terms of sale due to limited availability of credit. Suppliers might be unable to make payments due to us for fees, returned products, or incentives. Interest rate increases or changes in capital market conditions, including as a result of macroeconomic events, might impede our or our customers' or suppliers' ability or cost to obtain credit. Any of these risks might have a materially adverse impact on our business operations and our financial position or results of operations.

We might be adversely impacted by tax legislation or challenges to our tax positions.

We are subject to the tax laws in the U.S. at the federal, state, and local government levels and to the tax laws of other jurisdictions in which we operate or sell products or services. Tax laws might change in ways that adversely affect our tax positions, effective tax rate, and cash flow. The tax laws are extremely complex and subject to varying interpretations. For example, the European Union and other countries (including countries in which we operate) have committed to enacting changes to numerous long-standing tax principles impacting how large multinational enterprises are taxed. In particular, the Organization for Economic Cooperation and Development's Pillar Two initiative introduces a 15% global minimum tax applied on a country-by-country basis which many jurisdictions have now committed to enact. The impact of these potential new regulations as well as any other changes in domestic and international tax regulations could have a material effect on our effective tax rate. We are subject to tax examinations in various jurisdictions that might assess additional tax liabilities against us. Our tax reporting positions are sometimes challenged by relevant tax authorities, we might incur significant expense in our efforts to defend those challenges, and we might be unsuccessful in those efforts. Developments in examinations and challenges might materially change our provision for taxes in the affected periods and might differ materially from our historical tax accruals. Any of these risks might have a materially adverse impact on our business operations, our cash flows, and our financial position or results of operations.

We might be adversely impacted by fluctuations in foreign currency exchange rates.

We conduct our business in various currencies, including the U.S. dollar, Canadian dollar, Euro, and British pound sterling. Changes in foreign currency exchange rates could reduce our revenues, increase our costs, or otherwise adversely affect our financial results reported in U.S. dollars. For example, we are exposed to transactional currency exchange risk due to our import and export of products that are purchased or sold in currencies other than the U.S. dollar. We also have currency exchange risk due to intercompany loans denominated in various currencies. Currency exchange rates and their volatility are affected by factors outside of our control, such as political tensions, military conflicts, and civil unrest. We may from time to time enter into foreign currency contracts, foreign currency borrowings, or other techniques intended to hedge a portion of our foreign currency exchange rate risks. These hedging activities may not completely offset the adverse financial effects of unfavorable movements in foreign currency exchange rates during the time the hedges are in place. Any of these risks might have a materially adverse impact on our business operations and our financial position or results of operations.

General Risks

We are adversely impacted by events outside of our control, such as widespread public health issues, natural disasters, political events, and other catastrophic events.

We might be adversely affected by events outside of our control, including: widespread public health issues, such as epidemic or pandemic infectious diseases; natural disasters such as earthquakes, floods, or severe weather, including as a result of climate change; political events such as terrorism, political tensions, military conflicts, civil unrest, and trade wars; and by other catastrophic events. These events can disrupt operations for us, our suppliers, our vendors, and our customers, as well as impair product manufacturing, supply, and transport availability and cost in unpredictable ways that depend on highly uncertain future developments. They might affect consumer confidence levels and spending or the availability of certain goods or commodities. In response to these types of events, we might suspend operations, implement extraordinary procedures, seek alternate sources for product supply, or suffer consequences that are unexpected and difficult to mitigate. Any of these risks might have a materially adverse impact on our business operations and our financial position or results of operations.

We may be adversely affected by global climate change or by legal, regulatory, or market responses to such change.

The long-term effects of climate change are difficult to predict and may be widespread. The impacts may include physical risks (such as rising sea levels or frequency and severity of extreme weather conditions), social and human effects (such as population dislocations or harm to health and well-being), compliance costs and transition risks (such as regulatory or technology changes), costs for critical services (such as transportation costs), and other adverse effects. The effects could impair, for example, the availability and cost of certain products, commodities, transportation, and energy (including utilities), which in turn may impact our ability to procure goods or services, and transport those goods, required for the operation of our business at the quantities and levels we require. We bear losses incurred as a result of, for example, physical damage to or destruction of our facilities (such as distribution or fulfillment centers), loss or spoilage of inventory due to unusual ambient temperatures, and business interruption due to weather events that may be attributable to climate change. These events and impacts could have a materially adversely impact on our business operations and our financial position or results of operation.

Governance issues and regulations, including those related to social issues, climate change, and sustainability, and stakeholder response thereto may have an adverse effect on our business, financial condition, and results of operations and damage our reputation.

Companies across all industries are facing increasing scrutiny relating to their sustainability and governance practices and policies. The landscape related to such regulation, compliance, and reporting is constantly evolving, including expanding in scope and complexity. For example, the SEC and the State of California have adopted laws that we anticipate will require significantly increased disclosures related to climate change. There are also proposed regulations, including federal acquisition regulations, which may impose additional and more expansive requirements. We may experience significant costs associated with regulatory compliance for sustainability and governance matters, including fees, licenses, reporting, and the cost of capital improvements for our operating facilities to meet environmental regulatory requirements. Increased focus and activism related to these topics may hinder our access to capital or negatively impact our stock price, as investors may reconsider their capital investment based on their assessment of our sustainability and governance practices and policies. In particular, investor advocacy groups, institutional investors, stockholders, employees, customers, regulators, proxy advisory services, and other market participants have increasingly focused on governance and sustainability practices and policies of companies. If our governance and sustainability practices do not meet investor or other stakeholder expectations, standards, or evolving frameworks and regulatory requirements, our stock price, brand, sales, ability to access capital markets, reputation, and employee retention, among other things, may be negatively affected.

In addition, from time to time we make statements regarding our sustainability goals and efforts. Although we intend to meet these goals, we may be required to expend significant resources to do so, which could increase our operational costs. In addition, we could be criticized for the scope or nature of these goals, or for any revisions to our goals. Moreover, we may determine that it is in the best interest of our Company and our stockholders to prioritize other business, social, governance, or sustainable investments over the achievement of our current goals based on economic, technological developments, regulatory and social factors, business strategy, or pressure from investors, activist groups, or other stakeholders.

If we fail to meet our goals or fail to adapt to evolving investor, industry, or stakeholder expectations and standards, our reputation may be harmed. In addition, we could face increased regulatory, reputational, and legal scrutiny as a result of our sustainability-related commitments and disclosures, and we could also face challenges with managing conflicting requirements and our various stakeholders' expectations, among other governance risks that could adversely impact our business and financial results.

Exclusive forum provisions in our Bylaws could limit our stockholders' ability to choose their preferred judicial forum for disputes with us or our directors, officers, or employees.

Our amended and restated bylaws provide that, unless the Corporation consents in writing to the selection of an alternative forum, the sole and exclusive forum for specified legal actions is the Court of Chancery of the State of Delaware or the United States District Court for the District of Delaware if the Court of Chancery does not have or declines to accept jurisdiction (collectively, "Delaware Courts"). Current and former stockholders are deemed to have consented to the personal jurisdiction of the Delaware Courts in connection with any action to enforce that exclusive forum provision and to service of process in any such action. These provisions of the bylaws are not a waiver of, and do not relieve anyone of duties to comply with, federal securities laws including those specifying the exclusive jurisdiction of federal courts under the Exchange Act and concurrent jurisdiction of federal and state courts under the Securities Act. To the extent that these provisions of the bylaws limit a current or former stockholder's ability to select a judicial forum other than the Delaware Courts, they might discourage the specified legal actions, might cause current or former stockholders to incur additional litigation-related expenses, and might result in outcomes unfavorable to current or former stockholders. A court might determine that these provisions of the bylaws are inapplicable or unenforceable in any particular action, in which case we may incur additional litigation related expenses in such action, and the action may result in outcomes unfavorable to us, which could have a materially adverse impact on our reputation, our business operations, and our financial position or results of operations.

Item 1B. Unresolved Staff Comments.

None.

Item 1C. Cybersecurity.

Risk Management and Security

As a diversified healthcare services leader that is dedicated to advancing health outcomes for patients everywhere, cybersecurity risk management is integral to our enterprise risk management strategy. Our management, with involvement and input from external consultants and oversight from our Board of Directors ("Board"), performs an annual enterprise-wide risk assessment ("ERA") to identify key existing and emerging risks. One of the principal risks identified and assessed through this process is cybersecurity, which remains a key focus for the Company, management, and our Board.

Our Cybersecurity Incident Response Plan ("Response Plan") provides a framework for responding to cybersecurity incidents . The Response Plan governs activities such as preparation, detection, coordination, eradication, recovery, and appropriate escalations to the Company's senior management, disclosure committee, Board, and relevant Board committees. The Response Plan is routinely reviewed and updated as appropriate under the leadership of our Chief Information Security Officer (CISO).

Enterprise-wide cybersecurity and privacy training continue to serve an important role in risk reduction and protection of the Company and our stakeholders. We require periodic access-based and role-based privacy and cybersecurity training, which is updated to reflect changes in the threat environment, assessment or audit findings, laws, and regulations. We also engage and educate employees through cybersecurity and privacy awareness programs and communication campaigns.

We also engage internal and external assessors, consultants, auditors, and other third parties, to identify opportunities for improvements to our cybersecurity program. We manage cybersecurity risks associated with third parties, including vendors, service providers, and external users of our systems. This includes conducting due diligence on the third parties we use, as well as the systems of third parties that could adversely impact our business in the event of a cybersecurity incident affecting those third-party systems, and by using contracts to reinforce their cybersecurity obligations.

We develop and maintain systems and operate programs that seek to mitigate the impact of cybersecurity incidents. In the face of sophisticated and rapidly evolving attempts to overcome our security measures, we must continually monitor and update these systems and programs. Both intentional and unintentional occurrences have caused, and could cause in the future, a variety of adverse business impacts to our information systems and data. See "Risk Factors" in Item 1A of Part I above for additional information on risks related to our business, including for example, risks related to privacy and data protection, cybersecurity incidents, third-party relationships, and continuity of our information systems and networks, operational technology, and technology products or services.

Governance

Our joint Chief Information Officer and Chief Technology Officer (CIO/CTO) leads management's assessment and management of cybersecurity risk with the assistance of the Company's CISO who reports to the CIO/CTO. The CIO/CTO reports to our CFO, is a member of the Executive Operating Team, and provides updates to that group about cybersecurity matters. Our CIO/CTO has more than 28 years of experience managing technology and risks and advising on cybersecurity issues and our CISO has more than 20 years of relevant experience, is a Certified Information System Security Professional (CISSP), and a Certified Information Systems Auditor (CISA).

Cybersecurity is among the risks identified by our ERA for Board-level oversight. The Audit Committee of the Board has oversight of information technology controls related to financial reporting, while the Compliance Committee of the Board has oversight of technology-related risk, including privacy and cybersecurity. The Audit Committee and Compliance Committee meet jointly at least annually to review cybersecurity risks and programs, and they are updated as needed on cybersecurity threats, incidents, or new developments in our cybersecurity risk profile. The chairs of the Audit Committee and Compliance Committee provide updates to the Board after each committee meeting. The CIO/CTO and CISO provide regular updates to the Board, Audit Committee, or Compliance Committee about material risks from cybersecurity threats. The CIO/CTO or CISO also provide regular updates to the Board, Audit Committee or Compliance Committee about cybersecurity trends and regulatory updates, data governance and usage, technology infrastructure, our training and compliance efforts, and implications for our business strategy. External consultants also periodically update the Board on cybersecurity trends and developments.

In addition to the information provided in these meetings, members of our Board have access to continuing education, which includes topics relating to cybersecurity risks.

Item 2. Properties.

Because of the nature of our principal businesses, our plant, warehousing, retail pharmacies, offices, and other facilities for all of our reportable segments are operated in widely dispersed locations, primarily throughout North America. Retail pharmacies and most warehouses are typically owned or leased on a long-term basis. We consider our operating properties to be in satisfactory condition and adequate to meet our needs for the next several years without making capital expenditures materially higher than historical levels. Information as to material lease commitments is included in Financial Note 9, "Leases," to the consolidated financial statements included in this Annual Report.

The majority of our properties in Europe within our International segment were divested in fiscal 2022 and fiscal 2023, and our remaining European business operations reside in Norway. Refer to Financial Note 2, "Business Acquisitions and Divestitures," to the consolidated financial statements included in this Annual Report for more details on our European divestitures.

Item 3. Legal Proceedings.

Certain legal proceedings in which we are involved are discussed in Financial Note 17, "Commitments and Contingent Liabilities," to the consolidated financial statements included in this Annual Report. Disclosure of an environmental proceeding with a governmental agency is generally included only if we expect monetary sanctions in the proceeding to exceed $1 million, unless otherwise material.

Item 4. Mine Safety Disclosures.

Not applicable.

Information about our Executive Officers

The following table sets forth information regarding the executive officers of the Company, including their principal occupations during the past five years.

There are no family relationships between any of the executive officers or directors of the Company. The term of office of each executive officer expires at the first meeting of the Board following the annual meeting of shareholders, or until their successors are elected and have qualified, or until death, resignation, or removal, whichever is sooner.

Name	Age	Position with Registrant and Business Experience
Brian S. Tyler	57	Chief Executive Officer and a director since April 2019; President and Chief Operating Officer from August 2018 to March 2019; Chairman of the Management Board of McKesson Europe AG from 2017 to 2018; President and Chief Operating Officer, McKesson Europe from 2016 to 2017; President of North America Distribution and Services from 2015 to 2016; and Executive Vice President, Corporate Strategy and Business Development from 2012 to 2015.
Britt J. Vitalone	55	Executive Vice President and Chief Financial Officer since January 2018; Senior Vice President and Chief Financial Officer, U.S. Pharmaceutical from July 2014 to December 2017; Senior Vice President and Chief Financial Officer, U.S. Pharmaceutical and Specialty Health from October 2017 to December 2017; Senior Vice President of Corporate Finance and M&A Finance from March 2012 to June 2014.
LeAnn B. Smith	49	Executive Vice President and Chief Human Resources Officer since December 2022. Previously, Senior Vice President, Talent Management and Development from 2021 to 2022. Chief People Leader, Global Corporate Functions for Walmart Inc. (retail) from 2018 to 2021.
Thomas L. Rodgers	53	Executive Vice President, Chief Strategy and Business Development Officer since June 2020. Previously, Senior Vice President and Managing Director of McKesson Ventures from 2014 to 2020.
Michele Lau	48	Executive Vice President and Chief Legal Officer since January 2024. Chief Legal Officer and Corporate Secretary, GoDaddy (technology services) from July 2021 to November 2023. Senior Vice President, Corporate Secretary and Associate General Counsel at McKesson from March 2018 to June 2021 and various other legal roles at McKesson from 2008 to 2018.

McKESSON CORPORATION

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities.

Market Information: The principal market on which our common stock is traded is the New York Stock Exchange ("NYSE") under the trading symbol "MCK."

Holders: At March 31, 2024, there were 4,160 holders of record of our common stock.

Dividends: In July 2023, our quarterly dividend was raised from $0.54 to $0.62 per share of common stock for dividends declared on or after such date by the Board. We declared regular cash dividends of $2.40, $2.09, and $1.83 per share for the years ended March 31, 2024, 2023, and 2022, respectively.

We anticipate that we will continue to pay quarterly cash dividends in the future. However, the payment and amount of future dividends remain within the discretion of the Board and will depend upon our future earnings, financial condition, capital requirements, legal requirements, and other factors.

Securities Authorized for Issuance under Equity Compensation Plans: Information relating to this item is provided under Item 12 of Part III included in this Annual Report.

Share Repurchase Plans: The Board has authorized the repurchase of common stock. We may affect stock repurchases from time-to-time through open market transactions, privately negotiated transactions, accelerated share repurchase ("ASR") programs, or by combinations of such methods, any of which may use pre-arranged trading plans that are designed to meet the requirements of Rule 10b5-1(c) of the Exchange Act. The timing of any repurchases and the actual number of shares repurchased will depend on a variety of factors, including our stock price, corporate and regulatory requirements, tax implications, restrictions under our debt obligations, other uses for capital, impacts on the value of remaining shares, cash generated from operations, and market and economic conditions. During the last three fiscal years, our share repurchases were transacted through both open market transactions and ASR programs with third-party financial institutions.

Effective January 1, 2023, our repurchase of common stock, adjusted for allowable items, are subject to a 1% excise tax as a result of the IRA. Excise taxes incurred on share repurchases of an entity's own common stock are direct and incremental costs to purchase treasury stock, and accordingly are included in the total cost basis of the common stock acquired and reflected as a reduction of stockholders' equity within "Treasury shares" in our Consolidated Balance Sheets and Consolidated Statements of Stockholders' Equity (Deficit). Excise taxes do not reduce our remaining authorization for the repurchase of common stock. Excise taxes of $25 million were incurred for the year ended March 31, 2024 and accrued within "Other accrued liabilities" in the Company's Consolidated Balance Sheet for shares repurchased during fiscal 2024. We did not incur excise taxes during the year ended March 31, 2023.

Refer to Financial Note 18, "Stockholders' Equity (Deficit)," to the accompanying consolidated financial statements included in this Annual Report on Form 10-K for a full discussion of the Company's share repurchases for the years ended March 31, 2024, 2023, and 2022.

McKESSON CORPORATION

The following table provides information on our share repurchases during the fourth quarter of fiscal 2024:

	Share Repurchases [1]			
(In millions, except price per share)	**Total Number of Shares Purchased**	**Average Price Paid per Share [2]**	**Total Number of Shares Purchased as Part of Publicly Announced Programs [3]**	**Approximate Dollar Value of Shares that May Yet Be Purchased Under the Programs[2]**
January 1, 2024 - January 31, 2024	0.5	$ 479.20	0.5	$ 7,029
February 1, 2024 - February 29, 2024	0.4	509.62	0.4	6,813
March 1, 2024 - March 31, 2024	0.4	527.35	0.4	6,615
Total	1.3		1.3	

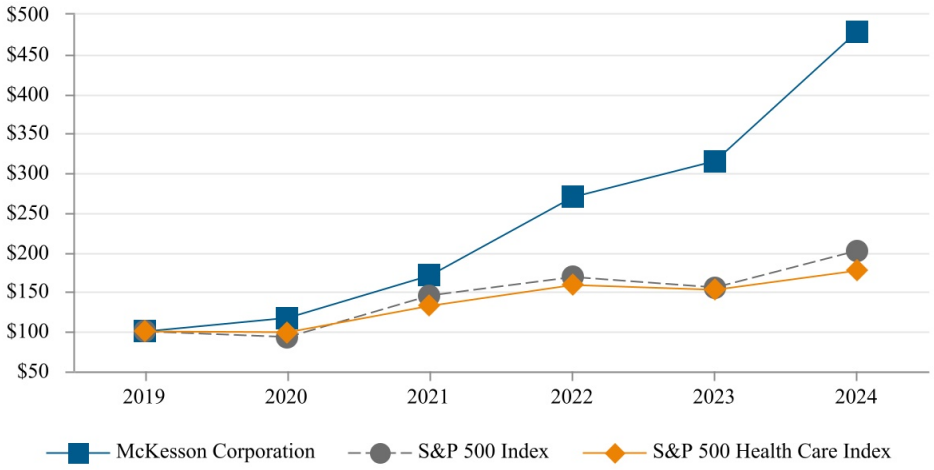
(1) This table does not include the value of equity awards surrendered to satisfy tax withholding obligations or forfeitures of equity awards.

(2) The average price paid per share excludes $5 million of excise taxes incurred on share repurchases for the three months ended March 31, 2024. The remaining authorization outstanding for repurchases of common stock excludes $25 million of excise taxes incurred on share repurchases for the year ended March 31, 2024.

(3) In July 2022 and July 2023, the Board authorized the Company to repurchase up to an additional $4.0 billion and $6.0 billion shares of common stock, respectively, both of which have no expiration date.

McKESSON CORPORATION

*Stock Price Performance Graph**: The following graph compares the cumulative total stockholder return on our common stock for the periods indicated with the Standard & Poor's ("S&P") 500 Index and the S&P 500 Health Care Index. The S&P 500 Health Care Index was selected as a comparator because it is generally available to investors and broadly used by other companies in the same industry.



	March 31,					
	2019	2020	2021	2022	2023	2024
McKesson Corporation	$ 100.00	$ 116.91	$ 170.30	$ 269.53	$ 315.32	$ 478.02
S&P 500 Index	$ 100.00	$ 93.02	$ 145.44	$ 168.20	$ 155.20	$ 201.57
S&P 500 Health Care Index	$ 100.00	$ 98.99	$ 132.68	$ 158.01	$ 152.17	$ 176.66

* Assumes $100 invested in McKesson Common Stock and in each index on March 31, 2019 and that all dividends are reinvested.

Item 6. Reserved.

McKESSON CORPORATION

FINANCIAL REVIEW

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

INDEX TO MANAGEMENT'S DISCUSSION AND ANALYSIS

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GENERAL

Management's discussion and analysis of financial condition and results of operations, referred to as the "Financial Review," is intended to assist the reader in the understanding and assessment of significant changes and trends related to the results of operations and financial position of McKesson Corporation together with its subsidiaries (collectively, the "Company," "McKesson," "we," "our," or "us" and other similar pronouns). This discussion and analysis should be read in conjunction with the consolidated financial statements and accompanying financial notes in Item 8 of Part II of this Annual Report on Form 10-K ("Annual Report").

Our fiscal year begins on April 1 and ends on March 31. Unless otherwise noted, all references to a particular year shall mean our fiscal year.

Our Financial Review within this Annual Report generally discusses fiscal 2024 and fiscal 2023 results and year-over-year comparisons between fiscal 2024 and fiscal 2023. For a discussion of our year-over-year comparisons between fiscal 2023 and fiscal 2022, refer to Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations of Part II of our Annual Report on Form 10-K for the year ended March 31, 2023, previously filed with the Securities and Exchange Commission on May 9, 2023.

Certain statements in this Annual Report constitute forward-looking statements. See Item 1 - Business - Forward-Looking Statements in Part I of this Annual Report for additional factors relating to these statements and Item 1A - Risk Factors in Part I of this Annual Report for a list of certain risk factors applicable to our business, financial condition and liquidity, and results of operations.

Overview of Our Business:

We are a diversified healthcare services leader dedicated to advancing health outcomes for patients everywhere. Our teams partner with biopharma companies, care providers, pharmacies, manufacturers, governments, and others to deliver insights, products, and services to help make quality care more accessible and affordable.

McKESSON CORPORATION

FINANCIAL REVIEW (Continued)

We report our financial results in four reportable segments: U.S. Pharmaceutical, Prescription Technology Solutions ("RxTS"), Medical-Surgical Solutions, and International. Our organizational structure also includes Corporate, which consists of income and expenses associated with administrative functions and projects as well as the results of certain investments. The factors for determining the reportable segments include the manner in which management evaluates the performance of the Company combined with the nature of individual business activities. We evaluate the performance of our operating segments on a number of measures, including revenues and operating profit before interest expense and income taxes.

The following summarizes our four reportable segments. Refer to Financial Note 20, "Segments of Business," to the consolidated financial statements included in this Annual Report for further information regarding our reportable segments.

- **U.S. Pharmaceutical** is a reportable segment that distributes branded, generic, specialty, biosimilar, and over-the-counter pharmaceutical drugs and other healthcare-related products in the United States ("U.S."). This segment also provides practice management, technology, clinical support, and business solutions to community-based oncology and other specialty practices. In addition, the segment sells financial, operational, and clinical solutions to pharmacies (retail, hospital, alternate sites) and provides consulting, outsourcing, technological, and other services.
- **Prescription Technology Solutions** is a reportable segment that combines automation and our ability to navigate the healthcare ecosystem to connect patients, pharmacies, providers, pharmacy benefit managers, health plans, and biopharma to address patients' medication access, affordability, and adherence challenges. RxTS also offers prescription price transparency, benefit insight, dispensing support services, as well as third-party logistics and wholesale distribution support across various therapeutic categories and temperature ranges to biopharma customers throughout the product lifecycle.
- **Medical-Surgical Solutions** is a reportable segment that provides medical-surgical supply distribution, logistics, and other services to healthcare providers, including physician offices, surgery centers, nursing homes, hospital reference labs, and home health care agencies. This segment offers national brand medical-surgical products as well as McKesson's own line of high-quality products through a network of distribution centers within the U.S.
- **International** is a reportable segment that includes our operations in Canada and Europe, bringing together non-U.S.-based drug distribution services, specialty pharmacy, retail, and infusion care services. Our Canadian operations deliver medicines, supplies, and information technology solutions throughout Canada and includes Rexall Health retail pharmacies. During fiscal 2023, we completed transactions to sell certain of our businesses in the European Union ("E.U. disposal group"), and our retail and distribution businesses in the United Kingdom ("U.K. disposal group"). Our remaining operations in Europe provide distribution and services to wholesale and retail customers in Norway where we own, partner, or franchise with retail pharmacies. Refer to Financial Note 2, "Business Acquisitions and Divestitures," to the consolidated financial statements included in this Annual Report for more information regarding these divestiture transactions.

Executive Summary:

The following summary provides highlights and key factors that impacted our business, operating results, financial condition, and liquidity for the year ended March 31, 2024:

- For the year ended March 31, 2024 compared to the prior year, revenues increased by 12%, gross profit increased by 4%, total operating expenses increased by 12%, and other income, net decreased by $365 million. Refer to the "*Overview of Consolidated Results*" section below for an analysis of these changes;
- Diluted earnings per common share from continuing operations attributable to McKesson Corporation decreased to $22.39 in fiscal 2024 from $25.05 in the prior year;
- For the year ended March 31, 2024, we recorded a provision for bad debts of $725 million related to the October 2023 bankruptcy of our customer Rite Aid Corporation (including certain of its subsidiaries, "Rite Aid"). Refer to the Rite Aid Bankruptcy Proceedings section of " *Trends and Uncertainties*" below;
- We received $244 million for the year ended March 31, 2024 related to our share of antitrust legal settlements. This amount was recorded as a gain within "Cost of sales" in the Consolidated Statement of Operations within our U.S. Pharmaceutical segment;

- For the year ended March 31, 2024, we recognized a discrete tax benefit of $157 million related to the release of a valuation allowance based on management's reassessment of the amount of our deferred tax assets that are more likely than not to be realized;
- We recorded a charge of $149 million for the year ended March 31, 2024 related to our estimated liability for opioid-related claims as further described in the Opioid-Related Litigation and Claims section of "*Trends and Uncertainties*" below;
- For the year ended March 31, 2024, we also recognized a net discrete tax benefit of $104 million primarily related to the repatriation and sale of certain intellectual property between McKesson wholly-owned legal entities that are based in different tax jurisdictions;
- On June 15, 2023, we completed a public offering of 4.90% Notes due July 15, 2028 in a principal amount of $400 million and 5.10% Notes due July 15, 2033 in a principal amount of $600 million, for proceeds received, net of discounts and offering expenses, of $397 million and $592 million, respectively. A portion of the net proceeds from these offerings was utilized to fund the repurchase of our 3.80% Notes due March 15, 2024 (the "2024 Notes") discussed below, while the remaining net proceeds was available for general corporate purposes;
- On June 16, 2023, we completed a cash tender offer for any and all of the 2024 Notes with a principal amount of $918 million, which was made concurrently with the June 15, 2023 notes offering described above. Using a portion of the net proceeds from the June 15, 2023 notes offering described above, we paid an aggregate consideration of $268 million to repurchase $271 million of principal amount of the 2024 Notes plus accrued and unpaid interest;
- Following the consummation of the cash tender offer discussed above, on June 16, 2023, we irrevocably deposited U.S. government obligations with the trustee under the indenture governing the 2024 Notes sufficient to fund the payment of accrued and unpaid interest of the remaining $647 million principal amount of the 2024 Notes as it became due, and of the principal amount of those 2024 Notes on their March 15, 2024 maturity date. Refer to Financial Note 11, "Debt and Financing Activities," to the consolidated financial statements included in this Annual Report for more information; and
- We returned $3.3 billion of cash to shareholders during fiscal 2024 through $3.0 billion of common stock repurchases through open market transactions and $314 million of dividend payments. In July 2023, our Board of Directors (the "Board") approved an increase of $6.0 billion in the authorization for repurchase of the Company's common stock and raised our quarterly dividend to $0.62 from $0.54 per common share. The total remaining authorization outstanding for repurchase of the Company's common stock at March 31, 2024 was $6.6 billion.

Trends and Uncertainties:

Rite Aid Bankruptcy Proceedings

In October 2023, our customer Rite Aid filed a voluntary petition for reorganization under Chapter 11 of the Bankruptcy Code. As a result, we recorded a provision for bad debts totaling $725 million during the year ended March 31, 2024. The provision for bad debts of $515 million recorded in the third quarter of fiscal 2024 related to uncollected trade accounts receivable from sales to Rite Aid in October 2023 prior to its bankruptcy petition filing. During the second quarter of fiscal 2024, we recorded a provision for bad debts of $210 million, which represented the uncollected trade accounts receivable balance as of September 30, 2023 due from Rite Aid. These charges were recorded within "Selling, distribution, general, and administrative expenses" in our Consolidated Statements of Operations and included within the U.S. Pharmaceutical segment.

We believe the reserves maintained and expenses recorded in fiscal 2024 for Rite Aid trade accounts receivable are appropriate and consistent with our accounting policy and assessment of the information currently available. We evaluate our reserves periodically and as circumstances warrant which may result in changes to our reserves. For additional disclosure of our policy regarding allowances for credit losses, refer to the "Critical Accounting Estimates" section included in this Financial Review.

Opioid-Related Litigation and Claims

As described in the discussion of opioid-related matters in Financial Note 17, “Commitments and Contingent Liabilities,” to the consolidated financial statements in this Annual Report, we are a defendant in many legal proceedings asserting claims related to the distribution of controlled substances (opioids) in federal and state courts throughout the U.S., and in Puerto Rico and Canada. The plaintiffs in these actions have included state attorneys general, county and municipal governments, tribal nations, hospitals, health and welfare funds, third-party payors, and individuals. We believe we have valid legal defenses in all opioid-related matters, including claims not covered by settlement agreements, and we intend to mount a vigorous defense. Other than as to the claims described in Financial Note 17, we have not concluded a loss is probable in any of the matters; nor is any possible loss or range of loss reasonably estimable. An adverse judgment or negotiated resolution in any of these matters could have a material adverse impact on our financial position, cash flows or liquidity, or results of operations.

The Company and two other national distributors are engaged in ongoing settlement discussions with representatives of nationwide groups of acute care hospitals and certain third-party payors. For the year ended March 31, 2024, we recorded a charge of $149 million within “Claims and litigation charges, net” in the Consolidated Statement of Operations to reflect our portion of a proposed settlement with a nationwide class of acute care hospitals, of which $75 million was recorded within Corporate expenses, net, and $74 million was recorded within U.S. Pharmaceutical. The corresponding liability was included within “Other accrued liabilities” in the Consolidated Balance Sheet. The mediator proposed settlement is subject to, among other things, agreement on final settlement terms, Board approval, court approval, and sufficient participation by hospitals. With respect to the third party payors, we have been engaged in settlement discussions with representatives of a nationwide group of certain third-party payors. Those negotiations include a proposal by the mediator for us to pay up to $114 million to resolve the claims of a nationwide class of certain third-party payors. Because of the many uncertainties, including the need to negotiate non-financial settlement terms, we have not determined a liability is probable. The claims of remaining U.S. non-governmental plaintiffs are not included in the charge we recorded.

During fiscal 2024, we made payments totaling $544 million associated with various settlement agreements for opioid-related claims of states, subdivisions, and Native American tribes. Our total estimated liability for opioid-related claims was $6.8 billion as of March 31, 2024, of which $665 million was included within “Other accrued liabilities” for the amount estimated to be paid prior to March 31, 2025, and the remaining liability was included in “Long-term litigation liabilities” in our Consolidated Balance Sheet.

Legislative Developments

On August 16, 2022, the U.S. government enacted the Inflation Reduction Act of 2022 (the “IRA”). Among other provisions, the IRA includes a 15% corporate minimum tax, a 1% excise tax on certain repurchases of an entity’s own common stock after December 31, 2022, and various drug pricing reforms. We do not anticipate that this legislation will have a material impact on our consolidated financial statements or related disclosures; however, we continue to evaluate the impact of these legislative changes. Refer to Financial Note 18, “Stockholders' Equity (Deficit),” to the accompanying consolidated financial statements included in this Annual Report for further details regarding excise taxes incurred on our share repurchases during fiscal 2024.

COVID-19

The U.S. federal government and World Health Organization suspended their respective public health emergencies in regards to the SARS-CoV-2 coronavirus (“COVID-19”) in May 2023. In the second quarter of fiscal 2024, we began transitioning the distribution of COVID-19 vaccines to commercial channels, the results of which are included primarily within our U.S. Pharmaceutical and Medical-Surgical Solutions segments. The impacts from COVID-19 related items were not material to revenues and operating profit for fiscal 2024.

McKESSON CORPORATION

FINANCIAL REVIEW (Continued)

RESULTS OF OPERATIONS

Overview of Consolidated Results:

(In millions, except per share data)	Years Ended March 31, 2024	2023	Change
Revenues	$ 308,951	$ 276,711	12 %
Gross profit	12,828	12,358	4
Gross profit margin	*4.15 %*	*4.47 %*	*(32) bp*
Total operating expenses	$ (8,919)	$ (7,977)	12 %
Total operating expenses as a percentage of revenues	*2.89 %*	*2.88 %*	*1 bp*
Other income, net	$ 132	$ 497	(73) %
Interest expense	(252)	(248)	2
Income from continuing operations before income taxes	3,789	4,630	(18)
Income tax expense	(629)	(905)	(30)
Reported income tax rate	16.6 %	19.5 %	*(290) bp*
Income from continuing operations	3,160	3,725	(15)
Loss from discontinued operations, net of tax	—	(3)	(100)
Net income	3,160	3,722	(15)
Net income attributable to noncontrolling interests	(158)	(162)	(2)
Net income attributable to McKesson Corporation	$ 3,002	$ 3,560	(16) %
Diluted earnings (loss) per common share attributable to McKesson Corporation			
Continuing operations	$ 22.39	$ 25.05	(11) %
Discontinued operations	—	(0.02)	(100)
Total	$ 22.39	$ 25.03	(11) %
Weighted-average diluted common shares outstanding	134.1	142.2	(6) %

Any percentage changes displayed above which are not meaningful are displayed as zero percent.

bp - basis points

McKESSON CORPORATION

FINANCIAL REVIEW (Continued)

Revenues

Revenues increased for the year ended March 31, 2024 compared to the prior year largely due to market growth in our U.S. Pharmaceutical segment, including growth in specialty pharmaceuticals and higher volumes largely from retail national account customers. Market growth includes growing drug utilization, price increases, and newly launched products, partially offset by price deflation associated with branded to generic drug conversion. This revenue growth was partially offset by lower revenues in our International segment driven by the completed divestitures of our E.U. disposal group.

Gross Profit

Gross profit increased for the year ended March 31, 2024 compared to the prior year primarily in our U.S. Pharmaceutical segment driven by growth of specialty pharmaceuticals, last-in, first-out ("LIFO") inventory credits in fiscal 2024, our share of antitrust legal settlements received in fiscal 2024, and increased contributions from our generics programs, as well as increased contributions from technology services in our RxTS segment driven by higher volumes. These increases were partially offset by the completed divestiture of our E.U. disposal group in our International segment.

Gross profit for the years ended March 31, 2024 and 2023 included gains of $244 million and $129 million, respectively, representing our share of antitrust legal settlements. We recognized these amounts within "Cost of sales" in the Consolidated Statements of Operations within our U.S. Pharmaceutical segment.

Gross profit for the years ended March 31, 2024 and 2023 also included a LIFO credit of $157 million and a charge of $1 million, respectively. The LIFO credit in fiscal 2024 compared to a charge in fiscal 2023 was primarily due to lower brand inflation, offset by higher brand inventory levels, lower deflation from off patent launch activity, and lower generics deflation. Refer to the "Critical Accounting Estimates" section included in this Financial Review for further information regarding the use of the LIFO method of accounting within our U.S. Pharmaceutical business.

Total Operating Expenses

A summary and description of the components of our total operating expenses for the years ended March 31, 2024 and 2023 is as follows:

- Selling, distribution, general, and administrative expenses ("SDG&A"): SDG&A consists of personnel costs, transportation costs, depreciation and amortization, lease costs, professional fee expenses, administrative expenses, remeasurement charges to the lower of carrying value or fair value less costs to sell, provisions for bad debts, and other general charges.
- Claims and litigation charges, net: These charges include adjustments for estimated probable settlements related to our controlled substance monitoring and reporting, and opioid-related claims, as well as any applicable income items or credit adjustments due to subsequent changes in estimates. Legal fees to defend claims, which are expensed as incurred, are included within SDG&A.
- Restructuring, impairment, and related charges, net: Charges recorded under this component include those incurred for programs in which we change our operations, the scope of a business undertaken by our business units, or the manner in which that business is conducted, as well as long-lived asset impairments.

	Years Ended March 31,		
(Dollars in millions)	**2024**	**2023**	**Change**
Selling, distribution, general, and administrative expenses	$ 8,657	$ 7,776	11 %
Claims and litigation charges, net	147	(8)	—
Restructuring, impairment, and related charges, net	115	209	(45)
Total operating expenses	$ 8,919	$ 7,977	12 %
Percent of revenues	*2.89 %*	*2.88 %*	*1 bp*

Any percentage changes displayed above which are not meaningful are displayed as zero percent.

bp - basis points

McKESSON CORPORATION

FINANCIAL REVIEW (Continued)

Total operating expenses increased and total operating expenses as a percentage of revenues decreased for the year ended March 31, 2024 compared to the prior year. Total operating expenses for the years ended March 31, 2024 and 2023 were affected by the following significant items:

Fiscal 2024

- SDG&A includes a provision for bad debts of $725 million related to the bankruptcy of our customer Rite Aid in October 2023. Refer to the Rite Aid Bankruptcy Proceedings section of *"Trends and Uncertainties"* for further discussion;
- SDG&A includes a fair value adjustment gain of $78 million which reduced our contingent consideration liability related to the RxSS acquisition, as discussed in more detail in Financial Note 2, “Business Acquisitions and Divestitures” to the consolidated financial statements included in this Annual Report;
- SDG&A was impacted by lower operating expenses from the completed divestiture of our E.U. disposal group in fiscal 2023, as discussed in more detail in Financial Note 2, “Business Acquisitions and Divestitures,” to the consolidated financial statements included in this Annual Report;
- Claims and litigation charges, net primarily consists of a charge of $149 million related to our estimated liability for opioid-related claims as previously discussed in the “*Trends and Uncertainties*” section above; and
- Restructuring, impairment, and related charges, net primarily includes charges related to Corporate expenses, net. Refer to the *“Restructuring Initiatives and Long-Lived Asset Impairments”* discussion below as well as Financial Note 3, “Restructuring, Impairment, and Related Charges, Net,” to the consolidated financial statements included in this Annual Report for more information.

Fiscal 2023

- SDG&A reflects lower operating expenses due to the completed divestitures of our U.K. and E.U. disposal groups in April 2022 and October 2022, respectively;
- SDG&A includes net credits of $66 million associated with the divestiture of our E.U. disposal group in October 2022; and
- Restructuring, impairment, and related charges, net primarily includes charges related to Corporate expenses, net, as well as our RxTS segment. Refer to the *“Restructuring Initiatives and Long-Lived Asset Impairments”* discussion below as well as Financial Note 3, “Restructuring, Impairment, and Related Charges, Net,” to the consolidated financial statements included in this Annual Report for more information.

Goodwill Impairments

We evaluate goodwill for impairment on an annual basis in the first fiscal quarter, and at an interim date if indicators of potential impairment exist. The annual impairment testing performed in fiscal 2024 and fiscal 2023 did not indicate any impairment of goodwill, and no goodwill impairment charges were recorded in fiscal 2024 and fiscal 2023. However, other risks, expenses, and future developments, such as government actions, increased regulatory uncertainty, and material changes in key market assumptions limit our ability to estimate projected cash flows, which could adversely affect the fair value of various reporting units in future periods. Refer to “Critical Accounting Estimates” included in this Financial Review for further information.

Restructuring Initiatives and Long-Lived Asset Impairments

We recorded restructuring, impairment, and related charges of $115 million and $209 million for the years ended March 31, 2024 and 2023, respectively. These charges were included in “Restructuring, impairment, and related charges, net” in the Consolidated Statements of Operations.

During the fourth quarter of fiscal 2023, we approved a broad set of initiatives to drive operational efficiencies and increase cost optimization efforts, with the intent of simplifying our infrastructure and realizing long-term sustainable growth. These initiatives included headcount reductions and the exit or downsizing of certain facilities. We recorded charges of $45 million and $60 million for the years ended March 31, 2024 and 2023 related to this program, respectively, primarily consisting of employee severance and other employee-related costs within our RxTS segment, asset impairments and accelerated depreciation, including certain asset impairments primarily within our U.S. Pharmaceutical segment and real estate charges within Corporate, as well as facility and other exit-related costs. This restructuring program was substantially complete in fiscal 2024.

Refer to Financial Note 3 , “Restructuring, Impairment, and Related Charges, Net,” to the consolidated financial statements included in this Annual Report for more information.

Other Income, Net

Other income, net decreased for the year ended March 31, 2024 compared to fiscal 2023 primarily due to:

- a gain of $142 million in fiscal 2023 related to the exit of one of our investments in equity securities held within our U.S. Pharmaceutical segment;
- a gain of $126 million in fiscal 2023 due to the cash received for the early termination of a tax receivable agreement (“TRA”) entered into as part of the formation of the joint venture with Change Healthcare Inc. (“Change”). This gain was recorded within Corporate expenses, net; and
- a gain of $97 million in fiscal 2023 from the termination of certain fixed interest rate swaps accounted for as cash flow hedges within Corporate expenses, net.

Interest Expense

Interest expense increased in fiscal 2024 compared to the prior year primarily due to the impact of higher interest rates on our debt and derivative portfolios, and increased commercial paper borrowings, partially offset by a $9 million gain on debt extinguishment in the first quarter of fiscal 2024. Refer to Financial Note 11, “Debt and Financing Activities,” to the consolidated financial statements included in this Annual Report for more information. Interest expense may fluctuate based on timing, amounts, and interest rates of term debt repaid and new term debt issued, amounts and interest rates of commercial paper borrowings, as well as amounts incurred associated with financing fees.

Income Tax Expense

We recorded income tax expense of $629 million and $905 million for the years ended March 31, 2024 and 2023, respectively. Our reported income tax expense rates were 16.6% and 19.5% in 2024 and 2023, respectively.

Fluctuations in our reported income tax rates are primarily due to changes in our business mix of earnings between various taxing jurisdictions and recognized discrete tax items. We recognized a net discrete tax benefit of $248 million in fiscal 2024, including $157 million related to the release of a valuation allowance based on management’s reassessment of the amount of our deferred tax assets that are more likely than not to be realized and $104 million related to the repatriation and sale of certain intellectual property between McKesson wholly-owned legal entities that are based in different tax jurisdictions. Refer to Financial Note 6, “Income Taxes,” to the consolidated financial statements included in this Annual Report for more information.

Significant judgments and estimates are required in determining the consolidated income tax provision and evaluating income tax uncertainties. Although our major taxing jurisdictions include the U.S. and Canada, we are subject to income taxes in numerous foreign jurisdictions. Our income tax expense, deferred tax assets and liabilities, and uncertain tax liabilities reflect management’s best assessment of estimated current and future taxes to be paid. We believe that we have made adequate provision for all income tax uncertainties.

Loss from Discontinued Operations, Net of Tax

Loss from discontinued operations, net of tax, was $3 million for the year ended March 31, 2023. Subsequent to our divestiture of the E.U. disposal group in October 2022, we no longer have discontinued operations.

Net Income Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests for the years ended March 31, 2024 and 2023 primarily represents the proportionate results of third-party equity interests in ClarusONE Sourcing Services LLP and Vantage Oncology Holdings, LLC. Net income attributable to noncontrolling interests also includes the proportionate results of third-party equity interest in SCRI Oncology, LLC ("SCRI Oncology") from its formation on October 31, 2022.

Net Income Attributable to McKesson Corporation

Net income attributable to McKesson Corporation was $3.0 billion and $3.6 billion for the years ended March 31, 2024 and 2023, respectively. Diluted earnings per common share attributable to McKesson Corporation was $22.39 and $25.03 for the years ended March 31, 2024 and 2023, respectively. Our diluted earnings per share reflects the cumulative effects of share repurchases during each period.

Weighted-Average Diluted Common Shares Outstanding

Diluted earnings per common share was calculated based on a weighted-average number of shares outstanding of 134.1 million and 142.2 million for the years ended March 31, 2024 and 2023, respectively. Weighted-average diluted shares outstanding for fiscal 2024 decreased from the prior year primarily due to the cumulative effect of share repurchases.

McKESSON CORPORATION

FINANCIAL REVIEW (Continued)

Overview of Segment Results:

Segment Revenues:

(Dollars in millions)	Years Ended March 31, 2024	2023	Change
Segment revenues			
U.S. Pharmaceutical	$ 278,739	$ 240,616	16 %
Prescription Technology Solutions	4,769	4,387	9
Medical-Surgical Solutions	11,313	11,110	2
International	14,130	20,598	(31)
Total revenues	$ 308,951	$ 276,711	12 %

U.S. Pharmaceutical

U.S. Pharmaceutical revenues for the year ended March 31, 2024 increased $38.1 billion or 16% compared to the prior year. Within the segment, sales to pharmacies and institutional healthcare providers increased $34.1 billion and sales to specialty practices and other increased $4 billion. Overall, these increases were primarily due to growth in specialty pharmaceuticals, higher volumes from retail national account customers, and branded pharmaceutical price increases, partially offset by branded to generic drug conversions.

Prescription Technology Solutions

RxTS revenues for the year ended March 31, 2024 increased $382 million or 9% compared to the prior year due to higher technology service revenues and increased volumes primarily in our third-party logistics and wholesale distribution services.

Medical-Surgical Solutions

Medical-Surgical Solutions revenues for the year ended March 31, 2024 increased $203 million or 2% compared to the prior year. Within the segment, sales to primary care customers increased $205 million and sales to extended care customers increased $185 million, driven by underlying business growth. Other sales declined $187 million driven by lower contribution from the kitting and distribution of ancillary supplies used to administer COVID-19 vaccines.

International

International revenues for the year ended March 31, 2024 decreased $6.5 billion or 31% compared to the prior year which included $323 million unfavorable effects of foreign currency exchange fluctuations. Within the segment, sales in Europe declined by $6.8 billion largely due to the completed divestitures of our E.U. disposal group in the third quarter of fiscal 2023. This was partially offset by increased sales in Canada of $674 million largely driven by higher pharmaceutical distribution volumes.

McKESSON CORPORATION

FINANCIAL REVIEW (Continued)

Segment Operating Profit and Corporate Expenses, Net:

(Dollars in millions)	Years Ended March 31, 2024	2023	Change
Segment operating profit [1]			
U.S. Pharmaceutical [2]	$ 2,786	$ 3,206	(13) %
Prescription Technology Solutions [3]	835	566	48
Medical-Surgical Solutions	952	1,117	(15)
International [4]	319	136	135
Subtotal	4,892	5,025	(3)
Corporate expenses, net [5]	(851)	(147)	479
Interest expense	(252)	(248)	2
Income from continuing operations before income taxes	$ 3,789	$ 4,630	(18) %
Segment operating profit margin			
U.S. Pharmaceutical	1.00 %	1.33 %	(33) bp
Prescription Technology Solutions	17.51	12.90	461
Medical-Surgical Solutions	8.42	10.05	(163)
International	2.26	0.66	160

bp - basis points

(1) Segment operating profit includes gross profit, net of total operating expenses, as well as other income, net, for our reportable segments.

(2) Operating profit for our U.S. Pharmaceutical segment includes the following:

- a provision for bad debts of $725 million for the year ended March 31, 2024 related to the bankruptcy of our customer Rite Aid in October 2023, as further discussed in the "*Trends and Uncertainties*" section above;
- cash receipts for our share of antitrust legal settlements of $244 million and $129 million for the years ended March 31, 2024 and 2023, respectively;
- a credit of $157 million and a charge of $1 million for the years ended March 31, 2024 and 2023, respectively, related to the LIFO method of accounting for inventories;
- a charge of $74 million for the year ended March 31, 2024 related to our estimated liability for opioid-related claims as previously discussed in the "*Trends and Uncertainties*" section; and
- a gain of $142 million for the year ended March 31, 2023 related to the exit of one of our investments in equity securities.

(3) Operating profit for our RxTS segment for the year ended March 31, 2024 includes a fair value adjustment gain of $78 million which reduced our contingent consideration liability related to the RxSS acquisition and, for the year ended March 31, 2023, includes restructuring charges of $43 million primarily for severance and employee-related costs, as well as asset impairments and accelerated depreciation, related to restructuring initiatives discussed in more detail in Financial Note 3, "Restructuring, Impairment, and Related Charges, Net," to the consolidated financial statements included in this Annual Report.

(4) Operating profit for our International segment includes charges of $240 million for the year ended March 31, 2023 to remeasure the assets and liabilities of our E.U. disposal group to fair value less costs to sell, as discussed in more detail in Financial Note 2, "Business Acquisitions and Divestitures," to the consolidated financial statements included in this Annual Report.

(5) Corporate expenses, net includes the following:

- a charge of $75 million for the year ended March 31, 2024 related to our estimated liability for opioid-related claims as previously discussed in the "*Trends and Uncertainties*" section;
- restructuring charges of $55 million and $83 million for the years ended March 31, 2024 and 2023, respectively, primarily for restructuring initiatives discussed in more detail in Financial Note 3, "Restructuring, Impairment, and Related Charges, Net," to the consolidated financial statements included in this Annual Report;
- a gain of $306 million for the year ended March 31, 2023 primarily related to the effect of accumulated other comprehensive loss components from our E.U. disposal group, as discussed in more detail in Financial Note 2, "Business Acquisitions and Divestitures," to the consolidated financial statements included in this Annual Report;
- a gain of $126 million for the year ended March 31, 2023 related to the cash payment received for the early termination of our TRA with Change; and

- a gain of $97 million for the year ended March 31, 2023 related to the termination of fixed interest rate swaps accounted for as cash flow hedges.

U.S. Pharmaceutical

Operating profit decreased for the year ended March 31, 2024 compared to the prior year primarily due to a provision for bad debts of $725 million related to the bankruptcy of our customer Rite Aid in October 2023, a charge of $74 million related to our estimated liability for opioid-related claims, a gain of $142 million related to the exit of one of our investments in equity securities in fiscal 2023, and an increase in operating expenses to support higher volumes, partially offset by growth in specialty pharmaceuticals, a LIFO credit in fiscal 2024 compared to a charge in the prior year period, an increase in net cash proceeds received representing our share of antitrust legal settlements, and increased contributions from our generics programs.

Prescription Technology Solutions

Operating profit increased for the year ended March 31, 2024 compared to the prior year primarily driven by increased volumes with new and existing customers, primarily from growth in our access solutions related to prior authorization services, and fair value adjustment gains which reduced our contingent consideration liability related to the RxSS acquisition.

Medical-Surgical Solutions

Operating profit decreased for the year ended March 31, 2024 compared to the prior year primarily due to a lower contribution from kitting and distribution of ancillary supplies for COVID-19 vaccines and higher expenses to support business growth, partially offset by growth in our extended and primary care businesses.

International

Operating profit increased for the year ended March 31, 2024 compared to the prior year primarily as a result of remeasurement charges recorded in the prior year related to the E.U. disposal group, partially offset by lower contributions from the European operations divested in fiscal 2023.

Corporate

Corporate expenses, net increased for the year ended March 31, 2024 compared to the prior year primarily due to:

- a charge of $75 million related to our estimated liability for opioid-related claims;
- prior year remeasurement gains related to the E.U. disposal group;
- a gain in fiscal 2023 related to the cash payment received for the early termination of our TRA with Change; and
- a gain in fiscal 2023 related to the termination of fixed interest rate swaps accounted for as cash flow hedges.

FOREIGN OPERATIONS

Our foreign operations represented approximately 5% and 7% of our consolidated revenues in fiscal 2024 and fiscal 2023, respectively. Foreign operations are subject to certain risks, including currency fluctuations. Refer to Item 1A - Risk Factors in Part I of this Annual Report for a risk factor related to fluctuations in foreign currency exchange rates. We monitor our operations and adopt strategies responsive to changes in the economic and political environment in each of the countries in which we operate. We conduct our business worldwide in local currencies, including the Canadian dollar and, more significantly prior to our European divestiture activities discussed above, Euro and British pound sterling. As a result, the comparability of our results reported in U.S. dollars can be affected by changes in foreign currency exchange rates. In discussing our operating results, we may use the term “foreign currency exchange fluctuations,” which refers to the effect of changes in foreign currency exchange rates used to convert the local currency results of our operations in foreign countries where the functional currency is not the U.S. dollar. We present this information to provide a framework for assessing how our business performed excluding the effect of foreign currency exchange rate fluctuations. In computing the foreign currency exchange fluctuations, we translate our current year results of our operations in foreign countries recorded in local currencies into U.S. dollars by applying their respective average foreign currency exchange rates of the corresponding prior year periods, and we subsequently compare those results to the previously reported results of the comparable prior year periods reported in U.S. dollars.

In July 2021, we announced our intention to exit our businesses in Europe. In fiscal 2023, we completed the previously announced sale of our E.U. and U.K. disposal groups and in fiscal 2022 we completed the previously announced sale of our Austrian business. Refer to Financial Note 2, “Business Acquisitions and Divestitures,” to the consolidated financial statements included in this Annual Report for more information on these European divestitures.

Additional information regarding our foreign operations is also included in Financial Note 20, “Segments of Business,” to the consolidated financial statements included in this Annual Report.

BUSINESS COMBINATIONS

Refer to Financial Note 2, “Business Acquisitions and Divestitures,” to the consolidated financial statements included in this Annual Report for additional information.

FISCAL 2025 OUTLOOK

Information regarding the Company’s fiscal 2025 outlook is contained in the release of our fourth quarter fiscal 2024 financial results included as an exhibit to our Form 8-K furnished to the SEC on May 7, 2024, which is not incorporated by reference into this Annual Report. That Form 8-K should be read in conjunction with the forward-looking statements in the *"Trends and Uncertainties"* section of this Financial Review, as well as the cautionary statements in Item 1 - Business - Forward-Looking Statements, and Item 1A - Risk Factors, in Part I of this Annual Report.

CRITICAL ACCOUNTING ESTIMATES

We consider an accounting estimate to be critical if the estimate requires us to make assumptions about matters based upon past experience and management’s judgment that were uncertain at the time the accounting estimate was made and if different estimates that we reasonably could have used in the current period, or changes in the accounting estimate that are reasonably likely to occur from period to period, could have a material impact on our financial condition or results from operations. Below are the estimates that we believe are critical to the understanding of our operating results and financial condition. Other accounting policies are described in Financial Note 1, “Significant Accounting Policies,” to the consolidated financial statements included in this Annual Report. Because of the uncertainty inherent in such estimates, actual results may differ from these estimates.

Allowances for Credit Losses: Our receivables primarily consist of short-term trade accounts receivable from customers that result from the sale of goods and services. We also provide customer financing arrangements to customers who purchase our products and services. Customer financing primarily relates to guarantees provided to our customers, or their creditors, regarding the repurchase of inventories. We also provide financing to certain customers related to the purchase of pharmacies, which serve as collateral for the loans. We estimate the receivables for which we do not expect full collection based on historical collection rates and specific knowledge regarding the current creditworthiness of our customers and record an allowance in our consolidated financial statements for these amounts.

The Company considers historical credit losses, the current economic environment, customer credit ratings, collections on past due amounts, legal disputes, and bankruptcies, as well as reasonable and supportable forecasts to develop its allowance for credit losses. Management reviews these factors quarterly to determine if any adjustments are needed to the allowance.

Sales to the Company’s ten largest customers, including group purchasing organizations (“GPOs”), accounted for approximately 69% of total consolidated revenues in fiscal 2024 and comprised approximately 43% of total trade accounts receivable at March 31, 2024. Sales to our largest customer, CVS Health Corporation (“CVS”), accounted for approximately 28% of our total consolidated revenues in fiscal 2024 and comprised approximately 24% of total trade accounts receivable at March 31, 2024. As a result, our sales and credit concentration is significant. We also have agreements with GPOs, each of which functions as a purchasing agent on behalf of member hospitals, pharmacies and other healthcare providers, as well as with government entities and agencies. The accounts receivable balances are with individual members of the GPOs, and therefore no significant concentration of credit risk exists. A material default in payment, a material reduction in purchases from GPOs or any other large customers, or the loss of a large customer or GPO could have a material adverse impact on our financial position, results of operations, and liquidity.

Reserve methodologies are assessed annually based on historical losses and economic, business, and market trends. In addition, reserves are reviewed quarterly and updated if unusual circumstances or trends are present. We believe the reserves maintained and expenses recorded in fiscal 2024 are appropriate and consistent in the context of historical methodologies employed, as well as assessment of trends currently available.

At March 31, 2024, trade and notes receivables were $19.6 billion prior to allowances of $877 million. Our provision for bad debts was $819 million, $45 million, and $29 million in fiscal 2024, fiscal 2023, and fiscal 2022, respectively. At March 31, 2024 and 2023, the allowance as a percentage of trade and notes receivables was 4.5% and 0.7%, respectively. The provision for bad debts for fiscal 2024 includes a charge of $725 million within our U.S. Pharmaceutical segment related to the bankruptcy of our customer Rite Aid, as discussed in the "Trends and Uncertainties" section of this Financial Review. This amount represents the uncollected trade accounts receivable balance due from Rite Aid prior to its bankruptcy petition filing in October 2023. An increase or decrease of a hypothetical 0.1% in the fiscal 2024 allowance as a percentage of trade and notes receivables would result in an increase or decrease in the provision for bad debts of approximately $20 million. The selected 0.1% hypothetical change does not reflect what could be considered the best or worst-case scenarios. Additional information concerning our allowances for credit losses may be found in Schedule II included in this Annual Report.

Inventories: Inventories consist of merchandise held for resale. We report inventories at the lower of cost or net realizable value, except for inventories determined using the LIFO method which are valued at the lower of LIFO cost or market. The LIFO method presumes that the most recent inventory purchases are the first items sold and the inventory cost under LIFO approximates market. The majority of the cost of domestic inventories is determined using the LIFO method. The majority of the cost of inventories held in foreign and certain domestic locations is based on the first-in, first-out ("FIFO") method or weighted-average purchase prices. Rebates, cash discounts, and other incentives received from vendors relating to the purchase or distribution of inventory are considered product discounts and are accounted for as a reduction in the cost of inventory and are recognized when the inventory is sold.

In determining whether an inventory valuation allowance is required, we consider various factors including estimated quantities of slow-moving inventory by reviewing on-hand quantities, outstanding purchase obligations, and forecasted sales. Shifts in market trends and conditions, changes in customer preferences due to the introduction of generic drugs or new pharmaceutical products, or the loss of one or more significant customers are factors that could affect the value of our inventories. We write down inventories which are considered excess and obsolete as a result of these reviews. These factors could make our estimates of inventory valuation differ from actual results.

At March 31, 2024 and 2023, total inventories, net were $21.1 billion and $19.7 billion, respectively, in our Consolidated Balance Sheets. The LIFO method was used to value approximately 62% and 64% of our inventories at March 31, 2024 and 2023, respectively. If we had used the moving average method of inventory valuation, inventories would have been approximately $227 million and $384 million higher than the amounts reported at March 31, 2024 and 2023, respectively. These amounts are equivalent to our LIFO reserves. A LIFO charge is recognized when the net effect of price increases on pharmaceutical and non-pharmaceutical products held in inventory exceeds the impact of price declines, including the effect of branded pharmaceutical products that have lost market exclusivity. A LIFO credit is recognized when the net effect of price declines exceeds the impact of price increases on pharmaceutical and non-pharmaceutical products held in inventory. We recognized a LIFO credit of $157 million in fiscal 2024, a LIFO charge of $1 million in fiscal 2023, and a LIFO credit of $23 million in fiscal 2022, all within "Cost of sales" in our Consolidated Statements of Operations. The LIFO credit in fiscal 2024 compared to a LIFO charge in fiscal 2023 was primarily due to lower brand inflation, offset by higher brand inventory levels, lower deflation from off patent launch activity, and lower generics deflation. The LIFO charge in fiscal 2023 compared to a LIFO credit in fiscal 2022 was primarily due to higher brand inflation and lower generics deflation, offset by higher off patent launch activity in fiscal 2023. Our LIFO valuation amount includes both pharmaceutical and non-pharmaceutical products.

We believe that the moving average inventory costing method provides a reasonable estimation of the current cost of replacing inventory (i.e., "market"). As such, our LIFO inventory is valued at the lower of LIFO cost or market. As of March 31, 2024 and 2023, inventories at LIFO did not exceed market.

Business Combinations: We account for business combinations using the acquisition method of accounting whereby the identifiable assets and liabilities of the acquired business, including contingent consideration, as well as any noncontrolling interest in the acquired business, are recorded at their estimated fair values as of the date that we obtain control of the acquired business. Any purchase consideration in excess of the estimated fair values of the net assets acquired is recorded as goodwill. Acquisition-related expenses and related restructuring costs are expensed as incurred.

McKESSON CORPORATION

FINANCIAL REVIEW (Continued)

Several valuation methods may be used to determine the fair value of assets acquired and liabilities assumed. For intangible assets, we typically use a variation of the income approach, whereby a forecast of future cash flows attributable to the asset is discounted to present value using a risk-adjusted discount rate. Some of the more significant estimates and assumptions inherent in the income approach include the amount and timing of projected future cash flows, the discount rate selected to measure the risks inherent in the future cash flows, and the assessment of the asset's expected useful life. Refer to Financial Note 2, "Business Acquisitions and Divestitures," to the consolidated financial statements included in this Annual Report for additional information regarding our acquisitions.

Certain business combinations involve the potential for future payments of consideration that is contingent upon the achievement of performance milestones or other agreed-upon events. The liability for the contingent consideration is measured at its fair value as of the acquisition date using unobservable inputs. These inputs include the estimated amount and timing of projected operational and financial information, the probability of achievement of performance milestones or other agreed-upon events, and the risk-adjusted discount rate used to calculate the present value of the probability-weighted projected financial information. Contingent liabilities are remeasured to fair value at each reporting date until the liability is resolved with changes in fair value being recognized within "Selling, distribution, general, and administrative expenses" in the Consolidated Statements of Operations. Changes in any of the inputs may result in a significant adjustment to the fair value.

Goodwill and Long-Lived Assets:

Goodwill

As a result of acquiring businesses, we have $10.1 billion and $9.9 billion of goodwill at March 31, 2024 and 2023, respectively, and $2.1 billion and $2.3 billion of intangible assets, net at March 31, 2024 and 2023, respectively. During the first quarter of fiscal 2023, we voluntarily changed our annual goodwill impairment testing date from October 1st to April 1st to align with a change in the timing of our annual long-term planning process. This change was not material to our consolidated financial statements as it did not delay, accelerate, or avoid any potential goodwill impairment charge.

We perform an impairment test on goodwill balances annually in the first fiscal quarter and more frequently if indicators for potential impairment exist. Indicators that are considered include significant declines in performance relative to expected operating results, significant changes in the use of the assets, significant negative industry or economic trends, or a significant decline in the Company's stock price and/or market capitalization for a sustained period of time.

Goodwill impairment testing is conducted at the reporting unit level, which is generally defined as an operating segment or a component, one level below our operating segments, for which discrete financial information is available and where segment management regularly reviews the operating results of that reporting unit.

We apply the goodwill impairment test by comparing the estimated fair value of a reporting unit to its carrying value and an impairment charge is recorded equal to the amount of excess carrying value above the estimated fair value, if any, but not to exceed the amount of goodwill allocated to the reporting unit.

To estimate the fair value of our reporting units, we generally use a combination of the market approach and the income approach. Under the market approach, we estimate fair value by comparing the business to similar businesses, or guideline companies whose securities are actively traded in public markets. Under the income approach, we use a discounted cash flow model in which cash flows anticipated over several periods, plus a terminal value at the end of that time horizon, are discounted to their present value using an appropriate rate that is commensurate with the risk inherent within the reporting unit. In addition, we compare the aggregate of the reporting units' fair values to our market capitalization as further corroboration of the reasonableness of our concluded fair values.

Estimates of fair value result from a complex series of judgments about future events and uncertainties and rely heavily on estimates and assumptions at a point in time. Judgments made in determining an estimate of fair value may materially impact our results of operations. The valuations are based on information available as of the impairment testing date and are based on expectations and assumptions that have been deemed reasonable by management. Any material changes in key assumptions, including failure to meet business plans, negative changes in government reimbursement rates, deterioration in the U.S. and global financial markets, an increase in interest rates, or an increase in the cost of equity financing by market participants within the industry, or other unanticipated events and circumstances may decrease the projected cash flows or increase the discount rates and could potentially result in an impairment charge. Under the market approach, significant estimates and assumptions also include the selection of appropriate guideline public companies and the determination of appropriate valuation multiples to apply to the reporting unit. Under the income approach, significant estimates and assumptions also include the determination of discount rates. The discount rates represent the weighted-average cost of capital measuring the reporting unit's cost of debt and equity financing, which are weighted by the percentage of debt and percentage of equity in a company's target capital structure. Included in the estimate of the weighted-average cost of capital is the assumption of an unsystematic risk premium to address incremental uncertainty related to the reporting units' future cash flow projections.

The annual impairment testing performed for fiscal 2024, fiscal 2023, and fiscal 2022 did not indicate any impairment of goodwill.

Refer to Financial Note 10, "Goodwill and Intangible Assets, Net," to the consolidated financial statements included in this Annual Report for additional information.

Long-Lived Assets

Currently, all of our identifiable intangible and other long-lived assets are amortized or depreciated based on the pattern of their economic consumption or a straight-line basis over their estimated useful lives, ranging from one to 30 years. We review intangible and other long-lived assets for impairment at an asset group level whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Determination of recoverability of intangible and other long-lived assets is based on the lowest level of identifiable estimated future undiscounted cash flows resulting from the use of the asset and its eventual disposition. Measurement of any impairment loss is based on the excess of the carrying value of the asset group over its fair value. Assumptions and estimates about future values and the remaining useful lives of our purchased intangible assets are complex and subjective. They can be affected by a variety of factors, including external factors such as industry and economic trends, and internal factors such as changes in our business strategy and our internal forecasts.

Our ongoing consideration of all the factors described previously could result in further impairment charges in the future, which could adversely affect our net income. Refer to Financial Note 3, "Restructuring, Impairment, and Related Charges, Net," to the consolidated financial statements included in this Annual Report for additional information on our long-lived asset impairments.

Long-lived assets classified as held for sale are measured at the lower of their carrying amount or fair value less costs to sell and are not depreciated or amortized. Fair value is determined based on the total consideration expected to be received by the Company. The fair value of a disposal group, less any costs to sell, is assessed each reporting period it remains classified as held for sale and any remeasurement to the lower of carrying value or fair value less costs to sell is reported as an adjustment to the carrying value of the disposal group. When the net realizable value of a disposal group increases during a period, a gain can be recognized to the extent that it does not increase the value of the disposal group beyond its original carrying value when the disposal group was reclassified as held for sale.

Restructuring Charges: We have certain restructuring reserves which require significant estimates related to the timing and amount of future employee severance and other exit-related costs to be incurred when the restructuring actions take place. We generally recognize employee severance costs when payments are probable and amounts are estimable. Costs related to contracts without future benefit or contract termination are recognized at the earlier of the contract termination or the cease-use dates. Other exit-related costs are recognized as incurred. In connection with these restructuring actions, we also assess the recoverability of long-lived assets used in the business, and as a result, we may recognize accelerated depreciation and amortization reflecting shortened useful lives of the underlying assets. Refer to Financial Note 3, "Restructuring, Impairment, and Related Charges, Net," to the consolidated financial statements included in this Annual Report for additional information on restructuring matters.

McKESSON CORPORATION

FINANCIAL REVIEW (Continued)

Income Taxes: Our income tax expense and deferred tax assets and liabilities reflect management's best assessment of estimated current and future taxes to be paid. We are subject to income taxes in the U.S. and numerous foreign jurisdictions. Significant judgments and estimates are required in determining the consolidated income tax provision and in evaluating income tax uncertainties, including those used to conclude on the tax-free nature of the separation of the Change Healthcare JV and the unrecognized tax position related to opioid-related litigation and claims, and may differ from the actual amounts of tax benefit recognized. We review our tax positions at the end of each quarter and adjust the balances as new information becomes available.

Deferred income taxes arise from temporary differences between the tax and financial statement recognition of revenue and expense. In evaluating our ability to recover our deferred tax assets, we consider all available positive and negative evidence including our past operating results, the existence of cumulative net operating losses in the most recent years, and our forecast of future taxable income. In estimating future taxable income, we develop assumptions including the amount of future federal, state, and foreign pre-tax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates we use to manage the underlying businesses.

Changes in tax laws and rates could also affect recorded deferred tax assets and liabilities in the future. Should tax laws change, our tax expense and cash flows could be materially impacted.

In addition, the calculation of our tax liabilities includes estimates for uncertainties in the application of complex new tax regulations across multiple global jurisdictions where we conduct our operations.

We recognize liabilities for tax and related interest for issues in the U.S. and other tax jurisdictions based on our estimate of whether, and the extent to which, additional taxes and related interest will be due. If our current estimate of tax and interest liabilities is less than the ultimate settlement, an additional charge to income tax expense may result. If our current estimate of tax and interest liabilities is more than the ultimate settlement, a reduction to income tax expense may be recognized. Refer to Financial Note 6, "Income Taxes," to the consolidated financial statements included in this Annual Report for additional information on income tax matters.

Loss Contingencies: We are subject to various claims, including claims with customers and vendors, pending and potential legal actions for damages, investigations relating to laws and regulations and other matters arising out of the normal conduct of our business. When a loss is considered probable and reasonably estimable, we record a liability in the amount of our best estimate for the ultimate loss. However, the likelihood of a loss with respect to a particular contingency is often difficult to predict, and determining a meaningful estimate of the loss or a range of loss may not be practicable based on the information available and the potential effect of future events and decisions by third parties that will determine the ultimate resolution of the contingency. Moreover, it is not uncommon for such matters to be resolved over many years, during which time relevant developments and new information must be reevaluated at least quarterly to determine both the likelihood of potential loss and whether it is possible to reasonably estimate a range of possible loss. When a material loss is reasonably possible, or probable but a reasonable estimate cannot be made, disclosure of the proceeding is provided. Legal fees are recognized as incurred when the legal services are provided.

We review all contingencies at least quarterly to determine whether the likelihood of loss has changed and to assess whether a reasonable estimate of the potential loss or range of the loss can be made. As discussed above, development of a meaningful estimate of loss or a range of potential loss is complex when the outcome is directly dependent on future negotiations with or decisions by third parties, such as regulatory agencies, the court system, and other interested parties.

In conjunction with the preparation of the consolidated financial statements included in this Annual Report, we considered matters related to ongoing controlled substances claims to which we are a party. For the year ended March 31, 2024, the Company recorded a charge of $149 million within "Claims and litigation charges, net" in the Consolidated Statement of Operations to reflect its portion of a proposed settlement with a nationwide class of acute care hospitals, and the corresponding liability was included within "Other accrued liabilities" in the Consolidated Balance Sheet. At March 31, 2024, our estimated accrued liability for opioid-related claims was $6.8 billion. Because of the many uncertainties associated with the remaining opioid-related litigation matters, we are not able to reasonably estimate the upper or lower ends of the range of ultimate possible losses for all opioid-related litigation matters. We are not able to predict the outcome in these matters, and an adverse judgment or negotiated resolution in any of these matters could have a material adverse effect on our results of operations, financial position, and cash flows or liquidity. Refer to the *"Opioid-Related Litigation and Claims"* section of the *"Trends and Uncertainties"* section of this Financial Review and Financial Note 17, "Commitments and Contingent Liabilities," to the consolidated financial statements included in this Annual Report for additional information.

FINANCIAL CONDITION, LIQUIDITY, AND CAPITAL RESOURCES

We expect our available cash generated from operations and our short-term investment portfolio, together with our existing sources of liquidity from our credit facilities, commercial paper program, and other borrowings will be sufficient to fund our short-term and long-term capital expenditures, working capital, and other cash requirements. We remain adequately capitalized, including access to liquidity from our $4.0 billion revolving credit facility. At March 31, 2024, we were in compliance with all debt covenants, and believe we have the ability to continue to meet our debt covenants in the future.

The following table summarizes the net change in cash, cash equivalents, and restricted cash for the periods shown:

	Years Ended March 31,		
(Dollars in millions)	**2024**	**2023**	**Change**
Net cash provided by (used in):			
Operating activities	$ 4,314	$ 5,159	$ (845)
Investing activities	(1,072)	(542)	(530)
Financing activities	(3,342)	(4,368)	1,026
Effect of exchange rate changes on cash, cash equivalents and restricted cash	6	25	(19)
Change in cash, cash equivalents, and restricted cash classified within Assets held for sale [(1)]	—	470	(470)
Net change in cash, cash equivalents, and restricted cash	$ (94)	$ 744	$ (838)

(1) The fiscal 2023 change reflects a reversal of cash, cash equivalents, and restricted cash previously classified as assets held for sale at March 31, 2022 as part of the U.K. disposal group and is offset by cash outflows primarily related to the settlement of liabilities which is reflected in operating activities.

Operating Activities

Operating activities provided cash of $4.3 billion and $5.2 billion for the years ended March 31, 2024 and 2023, respectively. Cash flows from operations can be significantly impacted by factors such as the timing of receipts from customers, inventory receipts, and payments to vendors. Additionally, working capital is primarily a function of sales and purchase volumes, inventory requirements, and vendor payment terms.

Operating activities for the year ended March 31, 2024 were affected by net income of $3.2 billion adjusted for non-cash items, including a provision for bad debts of $725 million related to the bankruptcy of our customer Rite Aid, in October 2023, as well as increases in accounts payable of $4.6 billion, offset by increases in receivables of $3.0 billion, and inventories of $1.3 billion which were primarily driven by higher revenues and timing. Our litigation liabilities decreased by $395 million due to payments made during fiscal 2024 of $544 million associated with various settlement agreements for opioid-related claims of states, subdivisions, and Native American tribes, partially offset by a charge of $149 million, related to our estimated liability for opioid-related claims, as discussed in more detail in Financial Note 17, "Commitments and Contingent Liabilities," to the consolidated financial statements included in this Annual Report. Other non-cash items within operating activities for the year ended March 31, 2024 includes stock-based compensation of $182 million, partially offset by a fair value adjustment gain of $78 million related to the contingent consideration liability recognized as part of our acquisition of RxSS.

McKESSON CORPORATION

FINANCIAL REVIEW (Continued)

Operating activities for the year ended March 31, 2023 were affected by net income of $3.7 billion adjusted for non-cash items, and an increase in drafts and accounts payable of $3.8 billion offset by increases in inventories and receivables of $1.3 billion and $1.1 billion, respectively, were primarily driven by higher revenues and timing. Our litigation liabilities decreased by $1.1 billion due to payments made during fiscal 2023 associated with various settlement agreements for opioid-related claims of participating states, subdivisions, and Native American tribes. Other non-cash items within operating activities for the year ended March 31, 2023 includes stock-based compensation of $162 million.

Investing Activities

Investing activities used cash of $1.1 billion and $542 million for the years ended March 31, 2024 and 2023, respectively. Investing activities for the year ended March 31, 2024 includes $431 million and $256 million, respectively, in capital expenditures for property, plant, and equipment and capitalized software, as well as $272 million of net cash payments for acquisitions.

Investing activities for the year ended March 31, 2023 includes $867 million of net cash payments for acquisitions, including $600 million for our acquisition of RxSS and $173 million for our contribution for the formation of SCRI Oncology with HCA Healthcare, Inc. Investing activities for the year ended March 31, 2023 also includes $390 million and $168 million in capital expenditures for property, plant, and equipment and capitalized software, respectively, and reflects proceeds from sales of businesses and investments of $1.1 billion, including cash proceeds, net of cash divested, of $573 million from the completed divestiture of our E.U. disposal group, $202 million of net cash from the completed divestiture of our U.K. disposal group, and $179 million of cash from the exit of one of our investments in equity securities in July 2022.

Financing Activities

Financing activities used cash of $3.3 billion and $4.4 billion for the years ended March 31, 2024 and 2023, respectively. On June 15, 2023, we completed a public offering of 4.90% Notes due July 15, 2028 in a principal amount of $400 million and 5.10% Notes due July 15, 2033 in a principal amount of $600 million, for proceeds received, net of discounts and offering expenses, of $397 million and $592 million, respectively. A portion of the net proceeds from these notes was utilized to fund the repurchase of our 2024 Notes discussed below, while the remaining net proceeds was available for general corporate purposes.

On June 16, 2023, we completed a cash tender offer for any and all of our 2024 Notes with a principal amount of $918 million, which was made concurrently with the June 15, 2023 notes offering described above. Using a portion of the proceeds from the June 15, 2023 notes offering described above, we paid an aggregate consideration of $268 million to repurchase $271 million principal amount of the 2024 Notes. Following the consummation of this tender offer, on June 16, 2023, we irrevocably deposited U.S. government obligations with the trustee under the indenture governing the 2024 Notes sufficient to fund the payment of accrued and unpaid interest of the remaining $647 million principal amount of the 2024 Notes as it became due, and of the principal amount of those 2024 Notes on their March 15, 2024 maturity date.

Financing activities for the year ended March 31, 2024 includes $3.0 billion of cash paid for share repurchases and $314 million of cash paid for dividends. Financing activities also includes cash receipts and cash payments of $20.0 billion related to short-term borrowings of commercial paper in fiscal 2024.

Financing activities for the year ended March 31, 2023 includes $3.6 billion of cash paid for share repurchases and $292 million of cash paid for dividends. Financing activities also includes cash receipts and cash payments of $8.5 billion related to short-term borrowings of commercial paper in fiscal 2023. In November 2022, we entered into the 2022 Term Loan Credit Facility which provided an unsecured term loan facility of up to $500 million, which we drew upon in full in December 2022 and which we subsequently repaid in February 2023. The proceeds of this loan were used for general corporate purposes. In February 2023, we completed a public offering of the 5.25% Notes with net proceeds of $497 million, which were used to repay existing debt. In December 2022, we retired our $400 million outstanding principal amount of 2.70% Notes and on March 15, 2023, we retired our $360 million outstanding principal amount of 2.85% Notes, both upon maturity using cash on hand.

Cash used for other financing activities generally includes shares surrendered for tax withholding and payments to noncontrolling interests.

Share Repurchase Plans

The Board has authorized the repurchase of common stock. We may affect stock repurchases from time-to-time through open market transactions, privately negotiated transactions, accelerated share repurchase ("ASR") programs, or by combinations of such methods, any of which may use pre-arranged trading plans that are designed to meet the requirements of Rule 10b5-1(c) of the Securities Exchange Act of 1934. The timing of any repurchases and the actual number of shares repurchased will depend on a variety of factors, including our stock price, corporate and regulatory requirements, tax implications, restrictions under our debt obligations, other uses for capital, impacts on the value of remaining shares, cash generated from operations, and market and economic conditions. During the last two fiscal years, our share repurchases were transacted through both open market transactions and ASR programs with third-party financial institutions. The ASR programs discussed below were designed to comply with Rule 10b5-1(c).

Effective January 1, 2023, our repurchase of common stock, adjusted for allowable items, are subject to a 1% excise tax as a result of the IRA. Excise taxes incurred on share repurchases of an entity's own common stock are direct and incremental costs to purchase treasury stock, and accordingly are included in the total cost basis of the common stock acquired and reflected as a reduction of stockholders' equity within "Treasury shares" in our Consolidated Balance Sheets and Consolidated Statements of Stockholders' Equity (Deficit). Excise taxes do not reduce our remaining authorization for the repurchase of common stock. Excise taxes of $25 million were incurred for the year ended March 31, 2024 and accrued within "Other accrued liabilities" in the Company's Consolidated Balance Sheet for shares repurchased during fiscal 2024. We did not incur excise taxes during the year ended March 31, 2023.

Information regarding the share repurchase activity over the last two fiscal years was as follows:

	Share Repurchases [1]		
(In millions, except price per share)	Total Number of Shares Purchased [2]	Average Price Paid Per Share	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Programs [3]
Balance, March 31, 2022			$ 3,278
Shares repurchased - February 2022 ASR [4]	0.3	$ 295.16	—
Shares repurchased - May 2022 ASR	3.1	$ 321.05	(1,000)
Share repurchase authorization increase in fiscal 2023			4,000
Shares repurchased - December 2022 ASR	2.6	$ 369.20	(972)
Shares repurchased - Open market [5]	4.7	$ 363.24	(1,693)
Balance, March 31, 2023			3,613
Share repurchase authorization increase in fiscal 2024			6,000
Shares repurchased - Open market	6.9	$ 436.46	(2,998)
Balance, March 31, 2024			$ 6,615

(1) This table does not include the value of equity awards surrendered to satisfy tax withholding obligations or forfeitures of equity awards.

(2) The number of shares purchased reflects rounding adjustments.

(3) The remaining authorization outstanding for repurchases of common stock excludes $25 million of excise taxes incurred on share repurchases for the year ended March 31, 2024.

(4) In February 2022, we entered into an ASR program with a third-party financial institution to repurchase $1.5 billion shares of common stock. The total number of shares repurchased under this ASR program was 5.1 million shares at an average price per share of $295.16. We received 4.8 million shares as the initial share settlement in the fourth quarter of fiscal 2022, and in May 2022, we received an additional 0.3 million shares upon the completion of this ASR program.

(5) Of the total dollar value, $27 million was accrued within "Other accrued liabilities" in our Consolidated Balance Sheet as of March 31, 2023 for share repurchases that were executed in late March 2023 and settled in early April 2023.

McKESSON CORPORATION

FINANCIAL REVIEW (Continued)

Selected Measures of Liquidity and Capital Resources

(Dollars in millions)	March 31, 2024	March 31, 2023
Cash, cash equivalents, and restricted cash	$ 4,585	$ 4,679
Working capital	(4,387)	(3,665)
Days sales outstanding for: [1]		
Customer receivables	22	22
Inventories	26	27
Drafts and accounts payable	58	58
Debt to capital ratio [2]	124.0 %	120.5 %

(1) Based on year-end balances and sales or cost of sales for the last 90 days of the year.

(2) This ratio describes the relationship and changes within our capital resources, and is computed as the sum of total debt divided by the sum of total debt and McKesson stockholders' deficit, which excludes noncontrolling interests and accumulated other comprehensive loss.

Cash equivalents, which are readily convertible to known amounts of cash, are carried at fair value. Cash equivalents are primarily invested in AAA-rated U.S. government money market funds, short-term deposits with financial institutions, and short-term commercial papers issued by non-financial institutions. Deposits with financial institutions are primarily denominated in U.S. dollars and the functional currencies of our foreign subsidiaries, including Canadian dollars, Euro, and British pounds sterling. Deposits could exceed the amounts insured by the Federal Deposit Insurance Corporation in the U.S. and similar deposit insurance programs in other jurisdictions. We mitigate the risk of our short-term investment portfolio by depositing funds with reputable financial institutions and monitoring risk profiles and investment strategies of money market funds.

Our cash and cash equivalents balance as of March 31, 2024 and 2023 included approximately $1.6 billion and $1.3 billion, respectively, of cash held by our subsidiaries outside of the U.S. Our primary intent is to utilize this cash for foreign operations for an indefinite period of time. Although the majority of cash held outside the U.S. is available for repatriation, doing so could subject us to foreign withholding taxes and state income taxes. We may remit foreign earnings to the U.S. to the extent it is tax efficient to do so. We do not anticipate the tax impact from remitting these earnings to be material. Following enactment of the 2017 Tax Cuts and Jobs Act, the repatriation of cash to the U.S. is generally no longer taxable for federal income tax purposes.

Working capital primarily includes cash and cash equivalents, receivables, inventories, and prepaid expenses, net of drafts and accounts payable, short-term borrowings, current portion of long-term debt, current portion of operating lease liabilities, and other accrued liabilities. Our businesses require substantial investments in working capital that are susceptible to large variations during the year as a result of inventory purchase patterns and seasonal demands. Inventory purchase activity is a function of sales activity and other requirements.

Consolidated working capital decreased at March 31, 2024 compared to the prior year primarily due to an increase in drafts and accounts payable from increased purchasing driven by increased sales and timing, an increase in other accrued liabilities and a decrease in cash and cash equivalents, partially offset by an increase in receivables, net and inventories, net, driven by higher sales and timing, and a decrease in the current portion of long-term debt largely funded by an issuance of long-term debt in the first quarter of fiscal 2024.

Our debt to capital ratio increased for the year ended March 31, 2024 compared to the prior year primarily due to share repurchases and dividend payments as well as repayments of long-term debt, partially offset by net income attributable to McKesson for the year and issuance of new long-term debt.

McKESSON CORPORATION

FINANCIAL REVIEW (Continued)

In July 2023, we raised our quarterly dividend to $0.62 from $0.54 per share of common stock for dividends declared on or after such date by the Board. Dividends were $2.40 per share in fiscal 2024 and $2.09 per share in fiscal 2023, and we paid total cash dividends of $314 million and $292 million in fiscal 2024 and fiscal 2023, respectively. We anticipate that we will continue to pay quarterly cash dividends in the future. However, the payment and amount of future dividends remain within the discretion of the Board and will depend upon our future earnings, financial condition, capital requirements, legal requirements, and other factors.

Material Cash Requirements:

The table and information below presents our significant financial obligations and commitments as of March 31, 2024:

		Years			
(In millions)	**Total**	**Within 1**	**Over 1 to 3**	**Over 3 to 5**	**After 5**
On balance sheet					
Total debt [1]	$ 5,629	$ 50	$ 2,894	$ 1,364	$ 1,321
Operating lease obligations [2]	2,024	359	634	436	595
Other [3]	93	24	18	18	33
Off balance sheet					
Interest on borrowings [4]	1,171	184	309	202	476
Purchase obligations [5]	7,305	7,297	8	—	—
Other [6]	348	106	220	10	12
Total	$ 16,570	$ 8,020	$ 4,083	$ 2,030	$ 2,437

(1) Represents maturities of the Company's long-term obligations, including finance lease obligations. Refer to Financial Note 11, "Debt and Financing Activities," to the consolidated financial statements included in this Annual Report for more information.

(2) Represents undiscounted minimum operating lease obligations under non-cancelable operating leases having an initial remaining term over one year and is not adjusted for imputed interest. Refer to Financial Note 9, "Leases," to the consolidated financial statements included in this Annual Report for more information.

(3) Includes estimated benefit payments for our unfunded benefit plans and minimum funding requirements for our pension plans as well as the contingent consideration liability related to our acquisition of RxSS in November 2022.

(4) Represents interest that will become due on our fixed rate long-term debt obligations.

(5) Primarily relates to the expected purchase of goods and services, including inventory and capital commitments, from vendors in the normal course of business.

(6) Includes agreements under which we have guaranteed the repurchase of our customers' inventory and our customers' debt in the event these customers are unable to meet their obligations to those financial institutions. Refer to Financial Note 16, "Financial Guarantees and Warranties," to the consolidated financial statements included in this Annual Report for more information.

The material cash requirements table above excludes the following obligations:

At March 31, 2024, the Company had accrued liabilities of $6.8 billion related to the settlement of opioid-related litigation claims with U.S. governmental entities, including Native American tribes, and certain non-governmental plaintiffs as described in the *"Trends and Uncertainties"* section of this Financial Review and Financial Note 17, "Commitments and Contingent Liabilities," to the consolidated financial statements included in this Annual Report. The majority of this amount relates to a global settlement payable in annual installments through 2038 pursuant to the schedule set forth in the agreement. As of March 31, 2024, $665 million is estimated to be paid within the next twelve months.

At March 31, 2024, the liability recorded for uncertain tax positions, excluding associated interest and penalties, was approximately $1.1 billion. The ultimate amount and timing of any related future cash settlements cannot be predicted with reasonable certainty. Refer to Financial Note 6, "Income Taxes," to the consolidated financial statements included in this Annual Report for additional information on income tax matters.

At March 31, 2024, our banks and insurance companies have issued $211 million of standby letters of credit and surety bonds. These were issued on our behalf and are mostly related to our customer contracts and to meet the security requirements for statutory licenses and permits, court and fiduciary obligations, pension obligations in Europe, and our workers' compensation and automotive liability programs.

Capital Resources

We fund our working capital requirements primarily with cash and cash equivalents, proceeds from short-term borrowings from our commercial paper issuances, and longer-term credit agreements and debt offerings. Funds necessary for future debt maturities and our other cash requirements, including any future payments that may be made related to our total estimated litigation liability of $6.8 billion as of March 31, 2024 payable under the terms of various settlement agreements for opioid-related claims, are expected to be met by existing cash balances, cash flow from operations, existing credit sources, and future borrowings. Long-term debt markets and commercial paper markets, our primary sources of capital after cash flow from operations, are open and accessible to us should we decide to access those markets. Detailed information regarding our debt and financing activities is included in Financial Note 11, "Debt and Financing Activities," to the consolidated financial statements included in this Annual Report.

We believe that our future operating cash flow, financial assets, and access to capital and credit markets, including our credit facilities, give us the ability to meet our financing needs for the foreseeable future. However, there can be no assurance that an increase in volatility or disruption in the global capital and credit markets will not impair our liquidity or increase our costs of borrowing.

RELATED PARTY BALANCES AND TRANSACTIONS

Information regarding our related party balances and transactions is included in Financial Note 19, "Related Party Balances and Transactions," to the consolidated financial statements included in this Annual Report.

NEW ACCOUNTING PRONOUNCEMENTS

New accounting pronouncements that we have recently adopted, as well as those that have been recently issued but not yet adopted by us, are included in Financial Note 1, "Significant Accounting Policies," to the consolidated financial statements included in this Annual Report.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

Interest rate risk: Our long-term debt bears interest predominately at fixed rates, whereas our short-term borrowings are at variable interest rates. Our cash and cash equivalents balances earn interest at variable rates. At March 31, 2024 and 2023, we had $4.6 billion and $4.7 billion, respectively, in cash and cash equivalents. At March 31, 2024 and 2023, we also had fixed-to-floating interest rate swaps with a total notional amount of $1.3 billion. The effect of a hypothetical 50 basis points increase in the underlying interest rate on our cash and cash equivalents, net of short-term borrowings and fixed-to-floating interest rate swaps, would have resulted in a favorable impact of $4 million and $7 million to our earnings in fiscal 2024 and fiscal 2023, respectively.

Foreign currency exchange rate risk: We conduct our business worldwide in U.S. dollars and the functional currencies of our foreign subsidiaries, primarily the Canadian dollar. We are also exposed to foreign currency exchange rate risk related to our foreign currency-denominated notes, intercompany loans denominated in non-functional currencies, and certain foreign subsidiaries, primarily the Euro, British pound sterling, and Canadian dollar. Changes in foreign currency exchange rates could have a material adverse impact on our financial results that are reported in U.S. dollars.

In July 2021, we announced our intention to exit our businesses in Europe and completed the divestitures of our Austrian business in fiscal 2022, and the U.K. disposal group and the E.U. disposal group in fiscal 2023. Refer to Financial Note 2, “Business Acquisitions and Divestitures,” to the consolidated financial statements included in this Annual Report for more information on these divestitures. The completion of these divestitures has reduced our foreign currency exchange rate risk as it relates to the Euro and British pound sterling.

We have certain foreign currency exchange rate risk programs that utilize cross-currency swaps which are intended to reduce the income statement effects from fluctuations in foreign currency exchange rates and have been designated as net investment hedges, fair value hedges, or cash flow hedges. These programs reduce but do not entirely eliminate foreign currency exchange rate risk. However, our risk management programs are designed such that changes in the value of the underlying exposure would be largely offset by the potential changes in the value of the risk management portfolios. Refer to Financial Note 14, “Hedging Activities,” to the consolidated financial statements included in this Annual Report for more information on our cross-currency swaps.

The Company and its subsidiaries are periodically exposed to balances denominated in currencies other than their functional currency. At March 31, 2024 and 2023, the effect of a hypothetical adverse 10% change in the foreign currency exchange rates on underlying balances not reported in the functional currencies of the Company and these subsidiaries would not have resulted in a material impact to our earnings in fiscal 2024 or fiscal 2023. Refer to Financial Note 1, “Significant Accounting Policies,” under the section “*Foreign Currency Translation*” for more information regarding our exposure to transactional gains and losses.

McKESSON CORPORATION

Item 8. Financial Statements and Supplementary Data.

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McKESSON CORPORATION

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of McKesson Corporation is responsible for establishing and maintaining an adequate system of internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). With the participation of the Chief Executive Officer and the Chief Financial Officer, our management conducted an assessment of the effectiveness of our internal control over financial reporting based on the framework and criteria established in *Internal Control—Integrated Framework (2013)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, our management has concluded that our internal control over financial reporting was effective as of March 31, 2024.

Deloitte & Touche LLP, an independent registered public accounting firm, audited the financial statements included in this Annual Report on Form 10-K and has also audited the effectiveness of the Company's internal control over financial reporting as of March 31, 2024. This audit report appears on the following page of this Annual Report on Form 10-K.

May 7, 2024

/s/ Brian S. Tyler

Brian S. Tyler

Chief Executive Officer

(Principal Executive Officer)

/s/ Britt J. Vitalone

Britt J. Vitalone

Executive Vice President and Chief Financial Officer

(Principal Financial Officer)

McKESSON CORPORATION

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of McKesson Corporation

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of McKesson Corporation and subsidiaries (the "Company") as of March 31, 2024, and 2023, the related consolidated statements of operations, comprehensive income, stockholders' equity (deficit), and cash flows, for each of the three years in the period ended March 31, 2024, and the related notes and the schedule listed in the Index at Item 15 (collectively referred to as the "financial statements"). We also have audited the Company's internal control over financial reporting as of March 31, 2024, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2024, and 2023, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2024, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2024, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

Basis for Opinions

The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Annual Report on Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Uncertain Tax Position, Opioid Claims - refer to Note 1 and Note 6 to the financial statements

Critical Audit Matter Description

The Company has recorded charges and related tax benefit for opioid-related claims. In order to account for the uncertainty associated with the ultimate realization of the income tax benefit related to opioid claims, the Company recorded an uncertain tax position reserve. Tax benefits from uncertain tax positions are recognized when, based upon the technical tax merits, it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes. The net amount of income tax benefit recognized by management is measured as the largest amount of tax benefit that is greater than 50 percent likely of being realized. The Company uses significant judgment in evaluating the technical tax merits of income tax benefits that qualify for recognition, including the determination of the amount that is more likely than not of being realized for U.S. federal and state income tax purposes.

We identified the Company's uncertain tax position related to liabilities arising from opioid claims as a critical audit matter because of the challenges in auditing management's estimate of the amount of income tax benefit that qualifies for recognition. Specifically, there is significant judgment associated with the assessment of the technical tax merits, including the related interpretation of applicable tax laws and regulations. Auditing the uncertain tax position related to liabilities arising from opioid claims required a high degree of auditor judgment and an increased extent of effort, including the need to involve our tax specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the Company's uncertain tax position associated with liabilities arising from opioid claims included the following, among others:

- We tested the effectiveness of the Company's internal control related to management's assessment of the technical merits of its tax position and the amount of benefit more likely than not to be realized related to liabilities arising from opioid claims.
- With the assistance of our income tax specialists, we evaluated the facts, evidence and the Company's related income tax analysis for the uncertain tax position reserve associated with liabilities arising from opioid claims.
- We held inquiries with the Company's internal and external income tax specialists related to the uncertain tax position for liabilities arising from opioid claims.
- We evaluated any events after March 31, 2024, that might affect management's accounting treatment and related applicable disclosures.
- We obtained written representations from executives and internal legal counsel of the Company.
- We obtained and reviewed terms related to the Company's settlements opioid claims and evaluated them against the deductibility criteria set forth by relevant tax laws and regulations.
- We evaluated the Company's related disclosures for consistency with our testing and also searched for contradictory evidence by reading disclosures from peer companies, who are also party to opioid litigation.

/s/ Deloitte & Touche LLP

Dallas, Texas
May 7, 2024

We have served as the Company's auditor since 1968.

McKESSON CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share amounts)

	Years Ended March 31,		
	2024	2023	2022
Revenues	$ 308,951	$ 276,711	$ 263,966
Cost of sales	(296,123)	(264,353)	(250,836)
Gross profit	12,828	12,358	13,130
Selling, distribution, general, and administrative expenses	(8,657)	(7,776)	(10,537)
Claims and litigation charges, net	(147)	8	(274)
Restructuring, impairment, and related charges, net	(115)	(209)	(281)
Total operating expenses	(8,919)	(7,977)	(11,092)
Operating income	3,909	4,381	2,038
Other income, net	132	497	259
Loss on debt extinguishment	—	—	(191)
Interest expense	(252)	(248)	(178)
Income from continuing operations before income taxes	3,789	4,630	1,928
Income tax expense	(629)	(905)	(636)
Income from continuing operations	3,160	3,725	1,292
Loss from discontinued operations, net of tax	—	(3)	(5)
Net income	3,160	3,722	1,287
Net income attributable to noncontrolling interests	(158)	(162)	(173)
Net income attributable to McKesson Corporation	$ 3,002	$ 3,560	$ 1,114
Earnings (loss) per common share attributable to McKesson Corporation			
Diluted			
Continuing operations	$ 22.39	$ 25.05	$ 7.26
Discontinued operations	—	(0.02)	(0.03)
Total	$ 22.39	$ 25.03	$ 7.23
Basic			
Continuing operations	$ 22.54	$ 25.25	$ 7.35
Discontinued operations	—	(0.02)	(0.03)
Total	$ 22.54	$ 25.23	$ 7.32
Weighted-average common shares outstanding			
Diluted	134.1	142.2	154.1
Basic	133.2	141.1	152.3

See Financial Notes

McKESSON CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)

	Years Ended March 31,		
	2024	**2023**	**2022**
Net income	$ 3,160	$ 3,722	$ 1,287
Other comprehensive income, net of tax			
Foreign currency translation adjustments	(7)	674	60
Unrealized gains (losses) on cash flow and other hedges	39	(63)	14
Changes in retirement-related benefit plans	(8)	62	41
Other comprehensive income, net of tax	24	673	115
Comprehensive income	3,184	4,395	1,402
Comprehensive income attributable to noncontrolling interests	(158)	(206)	(172)
Comprehensive income attributable to McKesson Corporation	$ 3,026	$ 4,189	$ 1,230

See Financial Notes

McKESSON CORPORATION

CONSOLIDATED BALANCE SHEETS
(In millions, except per share amounts)

	March 31, 2024	March 31, 2023
ASSETS		
Current assets		
Cash and cash equivalents	$ 4,583	$ 4,678
Receivables, net	21,622	19,410
Inventories, net	21,139	19,691
Prepaid expenses and other	626	513
Total current assets	47,970	44,292
Property, plant, and equipment, net	2,316	2,177
Operating lease right-of-use assets	1,729	1,635
Goodwill	10,132	9,947
Intangible assets, net	2,110	2,277
Other non-current assets	3,186	1,992
Total assets	$ 67,443	$ 62,320
LIABILITIES AND DEFICIT		
Current liabilities		
Drafts and accounts payable	$ 47,097	$ 42,490
Current portion of long-term debt	50	968
Current portion of operating lease liabilities	295	299
Other accrued liabilities	4,915	4,200
Total current liabilities	52,357	47,957
Long-term debt	5,579	4,626
Long-term deferred tax liabilities	917	1,387
Long-term operating lease liabilities	1,466	1,402
Long-term litigation liabilities	6,113	6,625
Other non-current liabilities	2,610	1,813
Commitments and contingent liabilities (Note 17)		
McKesson Corporation stockholders' deficit		
Preferred stock, $ 0.01 par value, 100 shares authorized, no shares issued or outstanding	—	—
Common stock, $ 0.01 par value, 800 shares authorized, 278 and 277 shares issued at March 31, 2024 and 2023, respectively	3	3
Additional paid-in capital	8,048	7,747
Retained earnings	14,978	12,295
Accumulated other comprehensive loss	(881)	(905)
Treasury shares, at cost, 148 and 141 shares at March 31, 2024 and 2023, respectively	(24,119)	(20,997)
Total McKesson Corporation stockholders' deficit	(1,971)	(1,857)
Noncontrolling interests	372	367
Total deficit	(1,599)	(1,490)
Total liabilities and deficit	$ 67,443	$ 62,320

See Financial Notes

McKESSON CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(In millions, except per share amounts)

	McKesson Corporation Stockholders' Equity (Deficit)								
	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury		Noncontrolling Interests	Total Equity (Deficit)
	Shares	Amount				Common Shares	Amount		
Balance, March 31, 2021	273	$ 2	$ 6,925	$ 8,202	$ (1,480)	(115)	$ (13,670)	$ 196	$ 175
Issuance of shares under employee plans, net of forfeitures	2	—	220	—	—	—	(71)	—	149
Share-based compensation	—	—	154	—	—	—	—	—	154
Repurchase of common stock	—	—	(204)	—	—	(15)	(3,304)	—	(3,508)
Net income	—	—	—	1,114	—	—	—	165	1,279
Other comprehensive income (loss)	—	—	—	—	116	—	—	(4)	112
Cash dividends declared, $ 1.83 per common share	—	—	—	(279)	—	—	—	—	(279)
Payments to noncontrolling interests	—	—	—	—	—	—	—	(155)	(155)
Exercise of put right by noncontrolling shareholders of McKesson Europe AG	—	—	178	—	(170)	—	—	—	8
Reclassification of McKesson Europe AG redeemable noncontrolling interests	—	—	—	—	—	—	—	287	287
Reclassification of recurring compensation to other accrued liabilities	—	—	—	—	—	—	—	(7)	(7)
Other	—	—	2	(7)	—	—	—	(2)	(7)
Balance, March 31, 2022	275	2	7,275	9,030	(1,534)	(130)	(17,045)	480	(1,792)
Issuance of shares under employee plans, net of forfeitures	2	1	163	—	—	—	(160)	—	4
Share-based compensation	—	—	161	—	—	—	—	—	161
Repurchase of common stock	—	—	127	—	—	(11)	(3,792)	—	(3,665)
Net income	—	—	—	3,560	—	—	—	162	3,722
Other comprehensive income	—	—	—	—	629	—	—	44	673
Cash dividends declared, $ 2.09 per common share	—	—	—	(296)	—	—	—	—	(296)
Payments to noncontrolling interests	—	—	—	—	—	—	—	(150)	(150)
Reclassification of recurring compensation to other accrued liabilities	—	—	—	—	—	—	—	(5)	(5)
Formation of SCRI Oncology, LLC	—	—	22	—	—	—	—	225	247
Derecognition of noncontrolling interests in McKesson Europe AG	—	—	—	—	—	—	—	(382)	(382)
Other	—	—	(1)	1	—	—	—	(7)	(7)
Balance, March 31, 2023	277	3	7,747	12,295	(905)	(141)	(20,997)	367	(1,490)
Issuance of shares under employee plans, net of forfeitures	1	—	116	—	—	—	(99)	—	17
Share-based compensation	—	—	182	—	—	—	—	—	182
Repurchase of common stock	—	—	—	—	—	(7)	(3,023)	—	(3,023)
Net income	—	—	—	3,002	—	—	—	158	3,160
Other comprehensive income	—	—	—	—	24	—	—	—	24
Cash dividends declared, $ 2.40 per common share	—	—	—	(320)	—	—	—	—	(320)
Payments to noncontrolling interests	—	—	—	—	—	—	—	(152)	(152)
Other	—	—	3	1	—	—	—	(1)	3
Balance, March 31, 2024	278	$ 3	$ 8,048	$ 14,978	$ (881)	(148)	$ (24,119)	$ 372	$(1,599)

See Financial Notes

McKESSON CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Years Ended March 31,		
	2024	2023	2022
OPERATING ACTIVITIES			
Net income	$ 3,160	$ 3,722	$ 1,287
Adjustments to reconcile to net cash provided by operating activities:			
Depreciation	253	248	279
Amortization	382	360	481
Long-lived asset impairment charges	43	72	175
Deferred taxes	(603)	(20)	34
Charges (credits) associated with last-in, first-out inventory method	(157)	1	(23)
Non-cash operating lease expense	228	249	241
Gain from sales of businesses and investments	(17)	(211)	(132)
Provision for bad debts	819	45	29
European businesses held for sale	—	—	1,509
Other non-cash items	233	253	472
Changes in assets and liabilities, net of acquisitions:			
Receivables	(2,954)	(1,082)	(1,843)
Inventories	(1,294)	(1,259)	(1,169)
Drafts and accounts payable	4,587	3,788	2,802
Operating lease liabilities	(339)	(338)	(356)
Taxes	331	363	243
Litigation liabilities	(395)	(1,088)	199
Other	37	56	206
Net cash provided by operating activities	4,314	5,159	4,434
INVESTING ACTIVITIES			
Payments for property, plant, and equipment	(431)	(390)	(388)
Capitalized software expenditures	(256)	(168)	(147)
Acquisitions, net of cash, cash equivalents, and restricted cash acquired	(272)	(867)	(6)
Proceeds from sales of businesses and investments, net	47	1,077	578
Other	(160)	(194)	(126)
Net cash used in investing activities	(1,072)	(542)	(89)
FINANCING ACTIVITIES			
Proceeds from short-term borrowings	19,964	8,450	11,192
Repayments of short-term borrowings	(19,964)	(8,450)	(11,192)
Proceeds from issuances of long-term debt	991	997	498
Repayments of long-term debt	(288)	(1,274)	(1,648)
Purchase of U.S. government obligations for the satisfaction and discharge of long-term debt	(647)	—	—
Payments for debt extinguishments	—	—	(184)
Common stock transactions:			
Issuances	116	163	220
Share repurchases	(3,025)	(3,638)	(3,516)
Dividends paid	(314)	(292)	(277)
Exercise of put right by noncontrolling shareholders of McKesson Europe AG	—	—	(1,031)
Other	(175)	(324)	(383)
Net cash used in financing activities	(3,342)	(4,368)	(6,321)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	6	25	55
Cash, cash equivalents, and restricted cash classified as Assets held for sale	—	470	(540)
Net increase (decrease) in cash, cash equivalents, and restricted cash	(94)	744	(2,461)
Cash, cash equivalents, and restricted cash at beginning of year	4,679	3,935	6,396
Cash, cash equivalents, and restricted cash at end of year	4,585	4,679	3,935
Less: Restricted cash at end of year included in Prepaid expenses and other	(2)	(1)	(403)
Cash and cash equivalents at end of year	$ 4,583	$ 4,678	$ 3,532

SUPPLEMENTAL CASH FLOW INFORMATION			
Cash paid for:			
Interest, net	$ 234	$ 224	$ 186
Income taxes, net of refunds	901	562	359

See Financial Notes

McKESSON CORPORATION

FINANCIAL NOTES

1. Significant Accounting Policies

Nature of Operations: McKesson Corporation together with its subsidiaries (collectively, the "Company" or "McKesson") is a diversified healthcare services leader dedicated to advancing health outcomes for patients everywhere. McKesson partners with biopharma companies, care providers, pharmacies, manufacturers, governments, and others to deliver insights, products, and services to help make quality care more accessible and affordable. The Company reports its financial results in four reportable segments: U.S. Pharmaceutical, Prescription Technology Solutions ("RxTS"), Medical-Surgical Solutions, and International. Refer to Financial Note 20, "Segments of Business," for additional information.

Basis of Presentation: The consolidated financial statements and accompanying notes are prepared in accordance with United States ("U.S.") generally accepted accounting principles ("GAAP"). The consolidated financial statements of McKesson include the financial statements of all majority-owned or controlled companies. For those consolidated subsidiaries where the Company's ownership is less than 100%, the portion of the net income or loss allocable to the noncontrolling interests is reported as "Net income attributable to noncontrolling interests" in the Consolidated Statements of Operations. All significant intercompany balances and transactions have been eliminated in consolidation, including the intercompany portion of transactions with equity method investees.

The Company considers itself to control an entity if it is the majority owner of or has voting control over such entity. The Company also assesses control through means other than voting rights and determines which business entity is the primary beneficiary of the variable interest entity ("VIE"). The Company consolidates VIEs when it is determined that it is the primary beneficiary of the VIE. Investments in business entities in which the Company does not have control, but instead has the ability to exercise significant influence over operating and financial policies, are accounted for using the equity method.

Fiscal Period: The Company's fiscal year begins on April 1 and ends on March 31. Unless otherwise noted, all references to a particular year shall mean the Company's fiscal year.

Reclassifications: Certain prior period amounts have been reclassified to conform to the current year presentation.

Use of Estimates: The preparation of financial statements in conformity with U.S. GAAP requires the Company to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. Actual amounts could differ from those estimated amounts.

On August 16, 2022, the U.S. government enacted the Inflation Reduction Act of 2022 (the "IRA"). Among other provisions, the IRA includes a 15% corporate minimum tax, a 1% excise tax on certain repurchases of an entity's own common stock after December 31, 2022, and various drug pricing reforms. The Company does not anticipate that this legislation will have a material impact on its consolidated financial statements or related disclosures; however the Company continues to evaluate the impact of these legislative changes. Refer to Financial Note 18, "Stockholders' Equity (Deficit)," for further details regarding excise taxes incurred on the Company's share repurchases during the year ended March 31, 2024.

Cash and Cash Equivalents: All highly liquid debt and money market instruments purchased with an original maturity of three months or less at the date of acquisition are included in cash and cash equivalents. Cash equivalents are carried at fair value. Cash equivalents are primarily invested in AAA-rated U.S. government money market funds, short-term deposits with financial institutions, and short-term commercial papers issued by non-financial institutions. Deposits with financial institutions are primarily denominated in U.S. dollars and the functional currencies of the Company's foreign subsidiaries, including Canadian dollars, Euro, and British pounds sterling. Deposits could exceed the amounts insured by the Federal Deposit Insurance Corporation in the U.S. and similar deposit insurance programs in other jurisdictions. The Company mitigates the risk of its short-term investment portfolio by depositing funds with reputable financial institutions and monitoring risk profiles and investment strategies of money market funds.

Restricted Cash: Cash that is subject to legal restrictions or is unavailable for general operating purposes is classified as restricted cash and is included in "Prepaid expenses and other" and "Other non-current assets" in the Consolidated Balance Sheets. Restricted cash of $ 395 million held in escrow as of March 31, 2022 related to obligations under settlement agreements for opioid-related claims of governmental entities was released during fiscal 2023. Refer to Financial Note 17, "Commitments and Contingent Liabilities," for additional information on opioid-related claims and litigation matters.

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

Equity Method Investments: Investments in business entities in which the Company does not have control, but instead has the ability to exercise significant influence over operating and financial policies, are accounted for using the equity method. The Company evaluates its equity method investments for impairment whenever an event or change in circumstances occurs that could have a significant adverse impact on the carrying value of the investment. If a loss in value has occurred that is deemed to be other-than-temporary, an impairment loss is recorded.

Receivables, Net and Allowances for Credit Losses: The Company's receivables are presented net of an allowance for credit losses and primarily consist of trade accounts receivable from customers that result from the sale of goods and services. Receivables, net also includes other receivables, which primarily represent amounts due from suppliers.

The Company is exposed to credit losses on accounts receivable balances. The Company estimates credit losses by considering historical credit losses, the current economic environment, customer credit ratings, collections on past due amounts, legal disputes, and bankruptcies, as well as reasonable and supportable forecasts to develop its allowance for credit losses. Management reviews these factors quarterly to determine if any adjustments are needed to the allowance.

Trade accounts receivable represent the majority of the Company's financial assets, for which an allowance for credit losses of $ 864 million and $ 111 million were included in "Receivables, net" in the Consolidated Balance Sheets as of March 31, 2024 and 2023, respectively. The increase in the allowance for the year ended March 31, 2024 was primarily due to a provision for bad debts recognized of $ 725 million related to the bankruptcy of the Company's customer Rite Aid Corporation (including certain of its subsidiaries, "Rite Aid"). In October 2023, Rite Aid filed a voluntary petition for reorganization under Chapter 11 of the Bankruptcy Code and this amount represents the uncollected trade accounts receivable balance due from Rite Aid prior to its bankruptcy petition filing. These charges were recorded within "Selling, distribution, general, and administrative expenses" in the Company's Consolidated Statements of Operations and included within the U.S. Pharmaceutical segment.

The following table presents the components of the Company's receivables as of March 31, 2024 and 2023:

	March 31,	
(In millions)	**2024**	**2023**
Customer accounts	$ 19,439	$ 17,160
Other	3,104	2,408
Total receivables	22,543	19,568
Allowances	(921)	(158)
Receivables, net	$ 21,622	$ 19,410

Concentrations of Credit Risk and Receivables: The Company's trade accounts receivable are subject to concentrations of credit risk with customers primarily in its U.S. Pharmaceutical segment. During fiscal 2024, sales to the Company's ten largest customers, including group purchasing organizations ("GPOs"), accounted for approximately 69 % of its total consolidated revenues and approximately 43 % of total trade accounts receivable at March 31, 2024. Sales to the Company's largest customer, CVS Health Corporation ("CVS"), accounted for approximately 28 % of its total consolidated revenues in fiscal 2024 and comprised approximately 24 % of total trade accounts receivable at March 31, 2024. As a result, the Company's sales and credit concentration is significant. The Company has agreements with GPOs, each of which functions as a purchasing agent on behalf of member hospitals, pharmacies, and other healthcare providers, as well as with government entities and agencies. The accounts receivable balances are with individual members of the GPOs, and therefore no significant concentration of credit risk exists. A material default in payment, a material reduction in purchases from GPOs or any other large customers, or the loss of a large customer or customer groups could have a material adverse impact on the Company's financial condition, results of operations, and liquidity. In addition, trade accounts receivables are subject to concentrations of credit risk with customers in the institutional, retail, and healthcare provider sectors, which can be affected by a downturn in the economy, changes in reimbursement policies, and other factors. This credit risk is mitigated by the size and diversity of the Company's customer base as well as its geographic dispersion.

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

Inventories: Inventories consist of merchandise held for resale. The Company reports inventories at the lower of cost or net realizable value, except for inventories determined using the last-in, first-out ("LIFO") method which are valued at the lower of LIFO cost or market. The LIFO method presumes that the most recent inventory purchases are the first items sold and the inventory cost under LIFO approximates market. The majority of the cost of domestic inventories is determined using the LIFO method. The majority of the cost of inventories held in foreign and certain domestic locations is based on the first-in, first-out ("FIFO") method or weighted-average purchase prices. Rebates, cash discounts, and other incentives received from vendors are recognized in cost of sales upon the sale of the related inventory.

At March 31, 2024 and 2023, total inventories, net were $ 21.1 billion and $ 19.7 billion, respectively, in the Company's Consolidated Balance Sheets. The LIFO method was used to value approximately 62 % and 64 % of the Company's inventories at March 31, 2024 and 2023, respectively. If the Company had used the moving average method of inventory valuation, inventories would have been approximately $ 227 million and $ 384 million higher than the amounts reported at March 31, 2024 and 2023, respectively. These amounts are equivalent to the Company's LIFO reserves. A LIFO charge is recognized when the net effect of price increases on pharmaceutical and non-pharmaceutical products held in inventory exceeds the impact of price declines, including the effect of branded pharmaceutical products that have lost market exclusivity. A LIFO credit is recognized when the net effect of price declines exceeds the impact of price increases on pharmaceutical and non-pharmaceutical products held in inventory. The Company recognized a LIFO credit of $ 157 million in fiscal 2024, a LIFO charge of $ 1 million in fiscal 2023, and a LIFO credit of $ 23 million in fiscal 2022, all within "Cost of sales" in its Consolidated Statements of Operations. The LIFO credit in fiscal 2024 compared to a LIFO charge in fiscal 2023 was primarily due to lower brand inflation, offset by higher brand inventory levels, lower deflation from off patent launch activity, and lower generics deflation. The LIFO charge in fiscal 2023 compared to a LIFO credit in fiscal 2022 was primarily due to higher brand inflation and lower generics deflation, offset by higher off patent launch activity in fiscal 2023. The Company's LIFO valuation amount includes both pharmaceutical and non-pharmaceutical products.

The Company believes that the moving average inventory costing method provides a reasonable estimation of the current cost of replacing inventory (i.e., "market"). As such, its LIFO inventory is valued at the lower of LIFO cost or market. As of March 31, 2024 and 2023, inventories at LIFO did not exceed market.

Shipping and Handling Costs: The Company includes costs to pack and deliver inventory to its customers in "Selling, distribution, general, and administrative expenses" in its Consolidated Statements of Operations. Shipping and handling costs of $ 1.1 billion, $ 1.2 billion, and $ 1.1 billion were recognized in fiscal 2024, fiscal 2023, and fiscal 2022, respectively.

Held for Sale: Assets and liabilities to be disposed of by sale ("disposal groups") are classified as "held for sale" if their carrying amounts are principally expected to be recovered through a sale transaction rather than through continuing use. The classification occurs when the disposal group is available for immediate sale and the sale is probable. These criteria are generally met when management has committed to a plan to sell the assets within one year. Disposal groups are measured at the lower of carrying amount or fair value less costs to sell, and long-lived assets included within the disposal group are not depreciated or amortized. The fair value of a disposal group, less any costs to sell, is assessed during each reporting period it remains classified as held for sale, and any remeasurement to the lower of carrying value or fair value less costs to sell is reported as an adjustment to the carrying value of the disposal group. When the net realizable value of a disposal group increases during a period, a gain can be recognized to the extent that it does not increase the value of the disposal group beyond its original carrying value when the disposal group was reclassified as held for sale. Refer to Financial Note 2, "Business Acquisitions and Divestitures," for additional information.

Property, Plant, and Equipment, Net: Property, plant, and equipment, net is stated at historical cost and depreciated under the straight-line method over the estimated useful life of each asset, which ranges from 15 to 30 years for building and improvements and three to 15 years for machinery, equipment, and other. Leasehold improvements and property, plant, and equipment, net under finance leases are amortized over their respective useful lives of the right-of-use ("ROU") asset or over the term of the lease, whichever is shorter. Depreciation and amortization begins when an asset is placed in service and ready for its intended use. Repairs and maintenance costs are expensed as incurred. When certain events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable, an impairment assessment may be performed on the recoverability of the carrying amounts.

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

The following table presents the components of the Company's property, plant, and equipment, net as of March 31, 2024 and 2023:

	March 31,	
(In millions)	**2024**	**2023**
Land	$ 109	$ 109
Building and improvements	1,482	1,413
Machinery, equipment, and other	2,751	2,603
Construction in progress	441	283
Total property, plant, and equipment	4,783	4,408
Accumulated depreciation and amortization	(2,467)	(2,231)
Property, plant, and equipment, net	$ 2,316	$ 2,177

Total depreciation expense for property, plant, and equipment, net and amortization of the ROU assets of finance leases was $ 279 million, $ 272 million, and $ 312 million for the years ended March 31, 2024, 2023, and 2022, respectively.

Leases: The Company leases facilities and equipment primarily under operating leases. The Company recognizes lease expense on a straight-line basis over the term of the lease, taking into account, when applicable, lessor incentives for tenant improvements, periods where no rent payment is required, and escalations in rent payments over the term of the lease. As a practical expedient, the Company does not separate lease components from non-lease components, such as common area maintenance, utilities, and repairs and maintenance. Remaining terms for facility leases generally range from one to 15 years, while remaining terms for equipment leases generally range from one to five years . Most real property leases contain renewal options (typically for five-year increments). Generally, the renewal option periods are not included within the lease term as the Company is not reasonably certain to exercise that right at lease commencement. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Operating ROU assets and operating lease liabilities are recognized at the lease commencement date. ROU assets represent the Company's right to use an underlying asset for the lease term and operating lease liabilities represent its obligation to make lease payments arising from the lease. Operating lease liabilities are recognized based on the present value of the future lease payments over the lease term, discounted at the Company's incremental borrowing rate as the implicit rate in the lease is not readily determinable for most of the Company's leases. The Company estimates the discount rate as its incremental borrowing rate based on qualitative factors including Company specific credit rating, lease term, general economics, and the interest rate environment. Operating lease liabilities are recorded in "Current portion of operating lease liabilities" and "Long-term operating lease liabilities," and the corresponding lease assets are recorded in "Operating lease right-of-use assets" in the Company's Consolidated Balance Sheets. Finance lease assets are included in "Property, plant, and equipment, net" and finance lease liabilities are included in "Current portion of long-term debt" and "Long-term debt" in the Company's Consolidated Balance Sheets. As a practical expedient, short-term leases with an initial term of 12 months or less are excluded from the Consolidated Balance Sheets and charges from these leases are expensed as incurred.

As a lessor, the Company primarily leases certain owned equipment, classified as direct financing or sales-type leases, to physician practices.

Refer to Financial Note 9, "Leases," for additional information on the Company's leases.

Goodwill: Goodwill is tested for impairment on an annual basis in the first fiscal quarter and more frequently if indicators of potential impairment exist. Impairment testing is conducted at the reporting unit level, which is generally defined as an operating segment or one level below an operating segment (also known as a component), for which discrete financial information is available and segment management regularly reviews the operating results.

The Company applies the goodwill impairment test by comparing the estimated fair value of a reporting unit to its carrying value and recording an impairment charge equal to the amount of excess carrying value above the estimated fair value, if any, but not to exceed the amount of goodwill allocated to the reporting unit.

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

To estimate the fair value of its reporting units, the Company generally uses a combination of the market approach and the income approach. Under the market approach, it estimates fair value by comparing the business to similar businesses, or guideline companies whose securities are actively traded in public markets. Under the income approach, it uses a discounted cash flow ("DCF") model in which cash flows anticipated over future periods, plus a terminal value at the end of that time horizon, are discounted to their present value using an appropriate rate that is commensurate with the risk inherent within the reporting unit. Other estimates inherent in both the market and income approaches include long-term growth rates, projected revenues, and earnings and cash flow forecasts for the reporting units. In addition, the Company compares the aggregate of the reporting units' fair values to the Company's market capitalization as further corroboration of the fair values. Goodwill testing requires a complex series of assumptions and judgments by management in projecting future operating results, selecting guideline public companies for comparisons, and assessing risks. The use of alternative assumptions and estimates could affect the fair values and change the impairment determinations.

Intangible Assets: Currently all of the Company's identifiable intangible assets are subject to amortization and are amortized based on the pattern of their economic consumption or on a straight-line basis over their estimated useful lives, ranging from one to 25 years. The Company reviews intangible assets for impairment at an asset group level whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Determination of recoverability is based on the lowest level of identifiable estimated future undiscounted cash flows resulting from the use of the asset and its eventual disposition. Measurement of any impairment loss is based on the excess of the carrying value of the asset group over its estimated fair value. The Company also performs a periodic review of its intangible assets and removes from the balance sheet fully amortized intangible assets that no longer provide an economic benefit, are no longer in use, or for which the related contract has expired. During the year ended March 31, 2024, the Company removed from the balance sheet $ 1.4 billion of fully amortized gross intangible assets and the corresponding accumulated amortization.

Capitalized Software Held for Internal Use: The Company capitalizes costs of software held for internal use during the application development stage of a project and amortizes those costs using the straight-line method over their estimated useful lives, not to exceed 10 years. As of March 31, 2024 and 2023, capitalized software held for internal use was $ 495 million and $ 353 million, respectively, net of accumulated amortization of $ 560 million and $ 1.5 billion, respectively, and is included in "Other non-current assets" in the Consolidated Balance Sheets. Costs incurred during the preliminary project and post-implementation stages are expensed as incurred. Amortization expense for capitalized software held for internal use was $ 102 million, $ 101 million, and $ 116 million for the years ended March 31, 2024, 2023, and 2022, respectively. The Company performs a periodic review of its capitalized software held for internal use and removes from the balance sheet fully amortized capitalized software costs that are determined to no longer be in use. During the year ended March 31, 2024, the Company removed from the balance sheet $ 1.0 billion of fully amortized gross capitalized software held for internal use and the corresponding accumulated amortization.

Insurance Programs: The Company maintains insurance programs through its wholly-owned captive insurance subsidiaries ("Captives") from which it obtains coverage for various exposures, including certain exposures arising from the opioid-related claims of governmental entities against the Company as discussed in more detail in Financial Note 17, "Commitments and Contingent Liabilities," as well as those risks required to be insured by law or contract. It is the Company's policy to retain a significant portion of certain losses, including those related to workers' compensation and comprehensive general, product, and vehicle liability. Provisions for losses expected under insurance programs are recorded based on the Company's estimate of the aggregate liability for claims incurred as well as for claims incurred but not yet reported. Such estimates utilize certain actuarial assumptions followed in the insurance industry. The Captives receive direct premiums, which are eliminated on consolidation against the Company's premium costs within "Selling, distribution, general, and administrative expenses" in the Consolidated Statements of Operations.

Revenue Recognition: Revenue is recognized when an entity satisfies a performance obligation by transferring control of a promised good or service to a customer in an amount that reflects the consideration to which the entity expects to be entitled for that good or service.

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

Revenues generated from the distribution of pharmaceutical and medical products represent the majority of the Company's revenues. The Company orders product from the manufacturer, receives and carries the product at its central distribution facilities, and delivers the product directly to its customers' warehouses, hospitals, or retail pharmacies. The distribution business primarily generates revenue from a contract related to a confirmed purchase order with a customer in a distribution arrangement. Revenue is recognized when control of goods is transferred to the customer which occurs upon the Company's delivery to the customer or upon customer pick-up. The Company also earns revenues from a variety of other sources including its retail, services, and technology businesses. Retail revenues are recognized at the point of sale. Service revenues, including technology service revenues, are recognized when services are rendered. Revenues derived from distribution and retail business at the point of sale represent approximately 98 %, 99 %, and 9 8 % of total revenues for the years ended March 31, 2024, 2023, and 2022, respectively. Revenues derived from services represent approximately 2 %, 1 %, and 2 % of total revenues for the years ended March 31, 2024, 2023, and 2022, respectively.

Revenues are recorded gross when the Company is the principal in the transaction, has the ability to direct the use of the goods or services prior to transfer to a customer, is responsible for fulfilling the promise to its customer, has latitude in establishing prices, and controls the relationship with the customer. The Company records its revenues net of sales taxes. Revenues are measured based on the amount of consideration that the Company expects to receive, reduced by estimates for return allowances, discounts, and rebates using historical data. Sales returns from customers were approximately $ 3.0 billion, $ 3.1 billion, and $ 3.2 billion for the years ended March 31, 2024, 2023, and 2022, respectively. Assets for the right to recover products from customers and the associated refund liabilities for return allowances were not material as of March 31, 2024 and 2023. Shipping and handling costs associated with outbound freight after control over a product has transferred to a customer are accounted for as fulfillment costs. The Company records deferred revenues when payments are received or due in advance of its performance. Deferred revenues are primarily from the Company's services arrangements and are recognized as revenues over the periods when services are performed.

The Company had no material contract assets, contract liabilities, or deferred contract costs recorded in its Consolidated Balance Sheets as of March 31, 2024 and 2023. The Company generally expenses costs to obtain a contract as incurred when the amortization period is less than one year.

Supplier Incentives: Fees for services and other incentives received from suppliers, relating to the purchase or distribution of inventory, are considered product discounts and are generally reported as a reduction to cost of sales.

Supplier Reserves: The Company establishes reserves against amounts due from suppliers relating to various fees for services and price and rebate incentives, including deductions taken against payments otherwise due to it. These reserve estimates are established based on judgment after considering the status of current outstanding claims, historical experience with the suppliers, the specific incentive programs, and any other pertinent information available. The Company evaluates the amounts due from suppliers on a continual basis and adjusts the reserve estimates when appropriate based on changes in facts and circumstances. Adjustments to supplier reserves are generally included in cost of sales unless consideration from the vendor is in exchange for distinct goods or services or for pass-through rebate purchases. The ultimate outcome of any outstanding claims could be different than the Company's estimate. The supplier reserves primarily pertain to the Company's U.S. Pharmaceutical segment.

Income Taxes: The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or the tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statements and the tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Tax benefits from uncertain tax positions are recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. The amount recognized is measured as the largest amount of tax benefit that is greater than 50% likely of being realized.

Interest Expense : Interest expense primarily includes interest for the Company's long-term debt obligations, commercial paper, net interest settlements of interest rate swaps, and the amortization of deferred issuance costs and original issue discounts on debt.

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

Foreign Currency Translation: The reporting currency of the Company and its subsidiaries is the U.S. dollar. Its foreign subsidiaries generally consider their local currency to be their functional currency. Foreign currency-denominated assets and liabilities of these foreign subsidiaries are translated into U.S. dollars at period-end exchange rates, while revenues and expenses are translated at average exchange rates during the corresponding period and stockholders' equity or deficit accounts are primarily translated at historical exchange rates. Foreign currency translation adjustments are included in "Other comprehensive income, net of tax" in the Consolidated Statements of Comprehensive Income, and the cumulative effect is included in the stockholders' deficit section of the Consolidated Balance Sheets. Gains and losses from currency exchange transactions are recorded in "Selling, distribution, general, and administrative expenses" in the Consolidated Statements of Operations and were not material for the years ended March 31, 2024, 2023, or 2022. The Company releases cumulative translation adjustments from stockholders' equity or deficit into earnings as a gain or loss only upon a complete or substantially complete liquidation of a controlling interest in a subsidiary or a group of assets within a foreign entity. It also releases all or a pro-rata portion of the cumulative translation adjustments into earnings upon the sale of an equity method investment that is a foreign entity or has a foreign component.

Derivative Financial Instruments: Derivative financial instruments are used principally in the management of foreign currency exchange and interest rate exposures and are recorded in the Consolidated Balance Sheets at fair value. If a derivative is designated as a fair value hedge, the changes in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings. The Company has used foreign currency-denominated notes and uses cross-currency swaps to hedge a portion of its net investment in its foreign subsidiaries. The Company uses cash flow hedges primarily to reduce the effects of foreign currency exchange rate risk related to intercompany loans denominated in non-functional currencies. If the financial instrument is designated as a cash flow hedge or net investment hedge, the effective portions of changes in the fair value of the derivative are included in "Other comprehensive income, net of tax" in the Consolidated Statements of Comprehensive Income, and the cumulative effect is included in the stockholders' deficit section of the Consolidated Balance Sheets. The cumulative changes in fair value are reclassified to the same line as the hedged item in the Consolidated Statements of Operations when the hedged item affects earnings. The Company evaluates hedge effectiveness at inception and on an ongoing basis, and ineffective portions of changes in the fair value of cash flow hedges and net investment hedges are recognized in earnings following the date when ineffectiveness was identified. Any cash flows received or paid as part of the termination of derivative financial instruments are classified within the Consolidated Statements of Cash Flows in accordance with the nature of the hedged item. Derivative instruments not designated as hedges are marked-to-market at the end of each accounting period with the change included in earnings. Refer to Financial Note 14, "Hedging Activities," for additional information.

Comprehensive Income: Comprehensive income consists of two components: net income and other comprehensive income or loss. Other comprehensive income or loss refers to revenue, expenses, as well as gains and losses that are recorded as an element of stockholders' deficit but are excluded from earnings. The Company's other comprehensive income or loss primarily consists of foreign currency translation adjustments from those subsidiaries where the local currency is the functional currency, including gains and losses on net investment hedges, as well as unrealized gains and losses on cash flow hedges and unrealized gains and losses on retirement-related benefit plans.

Noncontrolling Interests and Redeemable Noncontrolling Interests: Noncontrolling interests represent the portion of profit or loss, net assets, and comprehensive income or loss that is not allocable to McKesson Corporation. Net income attributable to noncontrolling interests includes third-party equity interests in the Company's consolidated entities, including: ClarusONE Sourcing Services LLP ("ClarusONE"), a joint venture established between McKesson and Walmart Inc. in fiscal 2017; Vantage Oncology Holdings, LLC ("Vantage"), a provider of integrated oncology and radiation services acquired in fiscal 2017; and SCRI Oncology, LLC ("SCRI Oncology"), an oncology research business formed in fiscal 2023. Net income attributable to noncontrolling interests also included recurring compensation that the Company was obligated to pay to the noncontrolling shareholders of McKesson Europe AG ("McKesson Europe"), formerly known as Celesio AG, under the domination and profit and loss transfer agreement. The Company's noncontrolling interest in McKesson Europe was included in the divestiture of certain of the Company's businesses in the European Union ("E.U.") in October 2022. Noncontrolling interests with redemption features, such as put rights, that are not solely within the Company's control are considered redeemable noncontrolling interests. Redeemable noncontrolling interests are presented outside of stockholders' deficit in the Company's Consolidated Balance Sheets. Refer to Financial Note 7, "Noncontrolling Interests and Redeemable Noncontrolling Interests," for additional information on noncontrolling and redeemable noncontrolling interests, and Financial Note 2, "Business Acquisitions and Divestitures," for additional information on the formation of SCRI Oncology and divestiture of McKesson Europe.

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

Share-Based Compensation: The Company accounts for all share-based compensation transactions at fair value. The share-based compensation expense, for the portion of the awards that is ultimately expected to vest, is recognized on a straight-line basis over the requisite service period. The Company estimates the number of share-based awards that will ultimately vest primarily based on historical experience. The estimated forfeiture rate established upon grant is re-assessed throughout the requisite service period and is adjusted when actual forfeitures occur. The actual forfeitures in future reporting periods could be higher or lower than current estimates. The share-based compensation expense recognized is classified in the Consolidated Statements of Operations in the same manner as cash compensation paid to the Company's employees and included in "Selling, distribution, general, and administrative expenses." Refer to Financial Note 4, "Share-Based Compensation," for additional information.

Loss Contingencies: The Company is subject to various claims, including, but not limited to, claims with customers and vendors, pending and potential legal actions for damages, investigations relating to governmental laws and regulations, and other matters arising out of the normal conduct of its business. When a loss is considered probable and reasonably estimable, the Company records a liability in the amount of its best estimate for the ultimate loss. However, the likelihood of a loss with respect to a particular contingency is often difficult to predict and determining a meaningful estimate of the loss or a range of loss may not be practicable based on the information available and the potential effect of future events and decisions by third parties that will determine the ultimate resolution of the contingency. Moreover, it is not uncommon for such matters to be resolved over many years, during which time relevant developments and new information must be reevaluated at least quarterly to determine both the likelihood of potential loss and whether it is possible to reasonably estimate the loss or a range of possible loss. When a material loss is reasonably possible, or probable but a reasonable estimate cannot be made, disclosure of the proceeding is provided. The Company recognizes legal fees as incurred when the legal services are provided.

The Company reviews all material contingencies at least quarterly to determine whether the likelihood of loss has changed and to assess whether a reasonable estimate of the loss or a range of the loss can be made. As discussed above, development of a meaningful estimate of loss or a range of potential loss is complex when the outcome is directly dependent on negotiations with or decisions by third parties, such as regulatory agencies, the court system, and other interested parties. Refer to Financial Note 17, "Commitments and Contingent Liabilities," for additional information related to controlled substances claims to which the Company is a party.

Restructuring Charges: Restructuring charges are incurred for programs in which the Company changes its operations, the scope of a business undertaken by its business units, or the manner in which that business is conducted as well as long-lived asset impairments. Such charges may include employee severance, retention bonuses, facility closure or consolidation costs, lease or contract termination costs, asset impairments, accelerated depreciation and amortization, and other related expenses. The restructuring programs may be implemented due to the sale or discontinuation of a product line, reorganization or management structure changes, headcount rationalization, realignment of operations or products, integration of acquired businesses, and/or company-wide cost saving initiatives. The amount and/or frequency of these restructuring charges are not part of the Company's underlying business, which include normal levels of reinvestment in the business. Employee severance costs are generally recognized when payments are probable and amounts are reasonably estimable. Costs related to contracts without future benefit or contract termination are recognized at fair value at the earlier of the contract termination or the cease-use dates. Other exit-related costs are expensed as incurred. Restructuring charges may also include credit adjustments due to subsequent changes in estimates. Refer to Financial Note 3, "Restructuring, Impairment, and Related Charges, Net," for additional information.

Business Combinations: The Company accounts for business combinations using the acquisition method of accounting whereby the identifiable assets and liabilities of the acquired business, including contingent consideration, as well as any noncontrolling interest in the acquired business, are recorded at their estimated fair values as of the date that the Company obtains control of the acquired business. Any purchase consideration in excess of the estimated fair values of the net assets acquired is recorded as goodwill. Acquisition-related expenses and related restructuring costs are expensed as incurred.

Several valuation methods may be used to determine the fair value of assets acquired and liabilities assumed. For intangible assets, the Company typically uses a variation of the income approach, whereby a forecast of future cash flows attributable to the asset is discounted to present value using a risk-adjusted discount rate. Some of the more significant estimates and assumptions inherent in the income approach include the amount and timing of projected future cash flows, the discount rate selected to measure the risks inherent in the future cash flows, and the assessment of the asset's expected useful life.

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

Contingent consideration liabilities are measured at their fair value as of the acquisition date using unobservable inputs. These inputs include the estimated amount and timing of projected operational and financial information, the probability of achievement of performance milestones or other agreed-upon events, and the risk-adjusted discount rate used to calculate the present value of the probability-weighted projected financial information. Contingent liabilities are remeasured to fair value at each reporting date until the liability is resolved. Changes in any of the inputs could result in a significant adjustment to the fair value.

Treasury Stock: We record purchases of treasury stock at cost, which is reflected as a reduction to stockholders' equity in the Company's Consolidated Balance Sheets. Incremental direct costs to purchase treasury stock, including any excise tax recognized as a result of the IRA, are included in the cost of the shares acquired. Treasury stock also includes shares withheld to satisfy the tax obligations of recipients of share-based compensation.

Recently Adopted Accounting Pronouncements

There were no accounting standards adopted by the Company during the year ended March 31, 2024.

Recently Issued Accounting Pronouncements Not Yet Adopted

In December 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosure*s. ASU 2023-09 improves the transparency of income tax disclosures by requiring, on an annual basis, consistent categories, and greater disaggregation of information in the rate reconciliation as well as income taxes paid disaggregated by jurisdiction. ASU 2023-09 is effective for the Company for fiscal years beginning after December 15, 2024. Early adoption is permitted. The amendments in this update should be applied prospectively, however, retrospective application is permitted. The Company is currently evaluating the impact that this guidance will have on its disclosures.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosure* s. ASU 2023-07 expands reportable segment disclosures by requiring disclosure, on an annual and interim basis, of significant segment expenses that are regularly provided to the chief operating decision maker ("CODM") and included within each reported measure of segment profit or loss as well as an amount and description of other segment items. ASU 2023-07 also requires interim disclosures of a reportable segment's profit or loss and assets, disclosure of the title and position of the CODM, and an explanation of how the CODM uses the reported measure of segment profit or loss in assessing performance and allocating resources. ASU 2023-07 is effective for the Company for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The amendments in this update are required to be applied retrospectively to all prior periods presented in the financial statements. The Company is currently evaluating the impact that this guidance will have on its disclosures.

Recent Securities and Exchange Commission Final Rules Not Yet Adopted

In March 2024, the Securities and Exchange Commission ("SEC") adopted final rules under SEC Release Nos. 33-11275 and 34-99678, *The Enhancement and Standardization of Climate-Related Disclosures for Investors*, which would require registrants to provide certain climate-related information in their annual reports and registration statements and would allow phased-in implementation dates beginning with the Company's Annual Report on Form 10-K for the year ended March 31, 2026. In April 2024, the SEC exercised its discretion to stay these rules pending the completion of judicial review of consolidated petitions challenging the validity of the rules. The Company is currently evaluating the impact of these rules in light of those legal challenges.

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

2. Business Acquisitions and Divestitures

Acquisitions

Rx Savings Solutions, LLC

On November 1, 2022, the Company completed its acquisition of 100 % of the shares of Rx Savings Solutions, LLC ("RxSS"), a privately-owned company headquartered in Overland Park, Kansas, to further connect biopharma and payer services to patients. RxSS is a prescription price transparency and benefit insight company that offers affordability and adherence solutions to health plans and employers. The purchase consideration included a payment of $ 600 million in cash made upon closing and a maximum of $ 275 million of contingent consideration based on RxSS' operational and financial performance through calendar year 2025. The payment made upon closing was funded from cash on hand. The financial results of RxSS are included in the Company's RxTS segment as of the acquisition date. The transaction was accounted for as a business combination.

The Company recorded a liability for the contingent consideration at its fair value of $ 92 million as of the acquisition date. The fair value of the contingent consideration liability was estimated using a Monte Carlo simulation model, utilizing internal cash flow projections which are Level 3 inputs under Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurements and Disclosures*. The contingent consideration liability will be remeasured to fair value at each reporting date until the liability is settled with changes in fair value being recognized within "Selling, distribution, general, and administrative expenses" in the Company's Consolidated Statements of Operations. During the year ended March 31, 2024, the Company recognized fair value adjustment gains of $ 78 million, which reduced its contingent consideration liability, based on the estimated amount and timing of projected operational and financial information and the probability of achievement of performance milestones. As of March 31, 2024 and 2023, the current portion of the contingent consideration liability of $ 14 million and $ 83 million, respectively, is included within "Other accrued liabilities" and as of March 31, 2023, the long-term portion of $ 9 million is included within "Other non-current liabilities" in the Company's Consolidated Balance Sheets. Recognition of the initial fair value of this contingent consideration was a non-cash investing activity.

The purchase price allocation included acquired identifiable intangible assets of $ 229 million, primarily representing customer relationships and technology with a weighted average amortization period of 12 years, and goodwill of $ 463 million. Goodwill has been allocated to the Company's RxTS segment, which reflects the expected future benefits from certain synergies and intangible assets that do not qualify for separate recognition. Goodwill attributable to the acquisition is deductible for tax purposes.

The following table summarizes the final purchase price allocation for this acquisition:

(In millions)		**Amounts Recognized as of Acquisition Date (Final)**
Purchase consideration:		
Cash	$	600
Contingent consideration		92
Total purchase consideration	$	692
Identifiable assets acquired and liabilities assumed:		
Current assets	$	5
Intangible assets		229
Other non-current assets		3
Current liabilities		(8)
Total identifiable net assets		229
Goodwill		463
Net assets acquired	$	692

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

SCRI Oncology, LLC

On October 31, 2022, the Company completed a transaction with HCA Healthcare, Inc. ("HCA") to form SCRI Oncology, an oncology research business combining McKesson's U.S. Oncology Research ("USOR") and HCA's Sarah Cannon Research Institute ("SCRI") based in Nashville, Tennessee, to advance cancer care and increase access to oncology clinical research. McKesson owns a 51 % controlling interest in the combined business, and the financial results are consolidated by the Company and reported within its U.S. Pharmaceutical segment as of the acquisition date. Transaction consideration included the transfer of full ownership interest in USOR to the combined business and $ 166 million of net cash paid to HCA, which was funded from cash on hand. The transaction was accounted for as a business combination.

The purchase price allocation included acquired identifiable intangible assets of $ 177 million, primarily representing customer relationships as well as trademarks and trade names with a weighted average amortization period of 17 years, and goodwill of $ 113 million. Goodwill has been allocated to the Company's U.S. Pharmaceutical segment, which reflects the expected future benefits from certain synergies and intangible assets that do not qualify for separate recognition. Goodwill attributable to the acquisition of $ 46 million is deductible for tax purposes. The Company recorded noncontrolling interest of $ 225 million as a component of equity, which includes HCA's proportionate interest in the identifiable net assets of SCRI at fair value of $ 202 million and its proportionate interest in the contributed net assets of USOR at carrying value of $ 23 million. The difference between the fair value of the Company's acquired interest in SCRI net assets and the $ 166 million of net cash paid to HCA was recognized as additional paid in capital, as well as the Company's reduction in ownership interest in USOR net assets.

The following table summarizes the final purchase price allocation for this acquisition:

(In millions)		**Amounts Recognized as of Acquisition Date (Final)**
Purchase consideration:		
Cash	$	166
Contribution of USOR		46
Total purchase consideration	$	212
Identifiable assets acquired and liabilities assumed:		
Receivables	$	224
Property, plant, and equipment		22
Operating lease right-of-use assets		31
Intangible assets		177
Other non-current assets		6
Current liabilities		(42)
Long-term operating lease liabilities		(29)
Other non-current liabilities		(43)
Total identifiable net assets		346
Noncontrolling interest		(225)
Additional paid-in capital		(22)
Goodwill		113
Net assets acquired	$	212

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

The fair value of the acquired identifiable intangible assets from the acquisitions discussed above were determined by applying the income approach, using a discounted cash flow model in which cash flows anticipated over several periods are discounted to their present value using an appropriate rate that is commensurate with the risk inherent with the transaction. These inputs are considered Level 3 inputs under the fair value measurements and disclosure guidance. The Company's fair value assessments of these acquisitions were finalized upon completion of the measurement period in the third quarter of fiscal 2024. There were no material changes to the purchase price allocations since the respective acquisition dates. Pro forma financial information has not been provided as these acquisitions did not have a material impact, individually, or in the aggregate, to the Company's consolidated results of operations.

Divestitures

In July 2021, the Company announced its intention to exit its businesses in Europe ("European Divestiture Activities"), as discussed in more detail below. Net gains related to these divestiture activities during the year ended March 31, 2023 were not material. During the year ended March 31, 2022, the Company recorded charges totaling $ 1.6 billion primarily to remeasure the assets and liabilities of the disposal groups to fair value less costs to sell, including the effect of accumulated other comprehensive loss balances associated with the disposal groups largely driven by declines in the Euro and British pound sterling. The gains and charges for each year were recorded within "Selling, distribution, general, and administrative expenses" in the Consolidated Statements of Operations. The Company determined that the disposal groups did not meet the criteria for classification as discontinued operations.

European Divestiture Activities

On October 31, 2022, the Company completed its previously announced transaction to sell certain of its businesses in the E.U. located in France, Italy, Ireland, Portugal, Belgium, and Slovenia, along with its German headquarters and wound-care business, part of a shared services center in Lithuania, and its ownership stake in a joint venture in the Netherlands ("E.U. disposal group") to the PHOENIX Group. As part of the transaction, the Company received cash proceeds of $ 892 million and divested net assets of $ 1.3 billion, including cash of $ 319 million, derecognized the carrying value of its noncontrolling interest held by minority shareholders of McKesson Europe of $ 382 million, and released $ 153 million of net accumulated other comprehensive loss. During the years ended March 31, 2023 and 2022, the Company recorded net gains of $ 66 million and net charges totaling $ 438 million, respectively, to remeasure the E.U. disposal group to fair value less costs to sell. The charges for the year ended March 31, 2022 also included impairments of individual assets, such as certain internal-use software that will not be utilized in the future, prior to adjusting the E.U. disposal group as a whole, and net losses of $ 151 million related to the accumulated other comprehensive loss balances associated with the E.U. disposal group, driven by declines in the Euro. The charges were recorded within "Selling, distribution, general, and administrative expenses" in the Consolidated Statements of Operations. The Company's measurement of the fair value of the E.U. disposal group was based on the total consideration received by the Company as outlined in the transaction agreement. Certain components of the total consideration included fair value measurements that fall within Level 3 of the fair value hierarchy.

On April 6, 2022, the Company completed the previously announced sale of its retail and distribution businesses in the United Kingdom ("U.K. disposal group") to Aurelius Elephant Limited for a purchase price of £ 110 million (or, approximately $ 144 million), including certain adjustments. As part of the transaction, the Company divested net assets of $ 615 million and released $ 731 million of accumulated other comprehensive loss and the buyer assumed and repaid a note payable to the Company of $ 118 million. During the year ended March 31, 2022, the Company recorded charges totaling $ 1.2 billion, primarily consisting of adjustments to remeasure the U.K. disposal group to fair value less costs to sell. The remeasurement adjustments included a $ 734 million loss related to the accumulated other comprehensive loss balances associated with the U.K. disposal group, driven by declines in the British pound sterling. The charges were recorded within "Selling, distribution, general, and administrative expenses" in the Consolidated Statement of Operations. The Company's measurement of the fair value of the U.K. disposal group was based on the total consideration received by the Company as outlined in the transaction agreement. Certain components of the total consideration included fair value measurements that fall within Level 3 of the fair value hierarchy.

On January 31, 2022, the Company completed the sale of its Austrian business to Quadrifolia Management GmbH in a management-led buyout for a purchase price of € 244 million (or, approximately $ 276 million), including certain adjustments. The Company divested net assets of the Austrian business of $ 272 million and the buyer assumed a note payable to the Company of approximately $ 63 million, which was paid to McKesson in the fourth quarter of fiscal 2022. During the year ended March 31, 2022, the Company recognized a loss of $ 32 million which was recorded within "Selling, distribution, general, and administrative expenses" in the Consolidated Statement of Operations.

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

At March 31, 2024 and 2023, the Company had no assets or liabilities related to European divestiture activities that met the criteria for classification as held for sale. Subsequent to the divestiture activities discussed above, the Company's European operations primarily consist of its retail and distribution businesses in Norway .

Other

For the periods presented, the Company also completed de minimis acquisitions and divestitures within its operating segments. Financial results for the Company's business acquisitions have been included in its consolidated financial statements as of their respective acquisition dates. Purchase prices for business acquisitions have been allocated based on estimated fair values at the respective acquisition dates .

3. Restructuring, Impairment, and Related Charges, Net

The Company recorded restructuring, impairment, and related charges, net of $ 115 million, $ 209 million, and $ 281 million in fiscal 2024, fiscal 2023, and fiscal 2022, respectively. These charges are included in "Restructuring, impairment, and related charges, net" in the Consolidated Statements of Operations.

Restructuring Initiatives

During the fourth quarter of fiscal 2023, the Company approved a broad set of initiatives to drive operational efficiencies and increase cost optimization efforts, with the intent of simplifying its infrastructure and realizing long-term sustainable growth. These initiatives included headcount reductions and the exit or downsizing of certain facilities. The Company recorded charges of $ 45 million and $ 60 million for the years ended March 31, 2024 and 2023 related to this program, respectively, primarily consisting of employee severance and other employee-related costs within its RxTS segment, asset impairments and accelerated depreciation, including certain asset impairments primarily within its U.S. Pharmaceutical segment and real estate charges within Corporate, as well as facility and other exit-related costs. This restructuring program was substantially complete in fiscal 2024.

During the first quarter of fiscal 2022, the Company approved an initiative to increase operational efficiencies and flexibility by transitioning to a partial remote work model for certain employees. This initiative primarily included the rationalization of the Company's office space in North America. Where the Company ceased using office space, it exited the portion of the facility no longer used. It also retained and repurposed certain other office locations. The Company recorded charges of $ 124 million for the year ended March 31, 2022, primarily related to lease right-of-use and other long-lived asset impairments, lease exit costs, and accelerated depreciation and amortization. This initiative was substantially complete in fiscal 2022.

Fiscal 2024

Restructuring, impairment, and related charges, net for the year ended March 31, 2024 consisted of the following:

	Year Ended March 31, 2024					
(In millions)	U.S. Pharmaceutical	Prescription Technology Solutions [1]	Medical-Surgical Solutions	International	Corporate [1]	Total
Severance and employee-related costs, net	$ 10	$ —	$ (1)	$ 2	$ (1)	$ 10
Exit and other-related costs [2]	3	11	12	9	27	62
Asset impairments and accelerated depreciation	4	—	—	10	29	43
Total	$ 17	$ 11	$ 11	$ 21	$ 55	$ 115

(1) Includes costs related to operational efficiencies and cost optimization efforts described above to support the Company's technology solutions.

(2) Exit and other-related costs consist of accruals for costs to be incurred without future economic benefits, project consulting fees, and other exit costs expensed as incurred.

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

Fiscal 2023

Restructuring, impairment, and related charges, net for the year ended March 31, 2023 consisted of the following:

	Year Ended March 31, 2023					
(In millions)	U.S. Pharmaceutical [1]	Prescription Technology Solutions [1]	Medical-Surgical Solutions	International	Corporate [1]	Total
Severance and employee-related costs, net	$ 6	$ 23	$ 2	$ 4	$ —	$ 35
Exit and other-related costs [2]	7	7	3	21	64	102
Asset impairments and accelerated depreciation	25	13	5	10	19	72
Total	$ 38	$ 43	$ 10	$ 35	$ 83	$ 209

(1) Includes costs related to operational efficiencies and cost optimization efforts described above to support the Company's technology solutions.

(2) Exit and other-related costs consist of accruals for costs to be incurred without future economic benefits, project consulting fees, and other exit costs expensed as incurred. Corporate includes costs for business transformation and optimization efforts related to the Company's technology organization. The International segment includes costs related to the Company's European divestitures.

Fiscal 2022

Restructuring, impairment, and related charges, net for the year ended March 31, 2022 consisted of the following:

	Year Ended March 31, 2022					
(In millions)	U.S. Pharmaceutical	Prescription Technology Solutions	Medical-Surgical Solutions	International	Corporate	Total
Severance and employee-related costs, net	$ 8	$ 1	$ (1)	$ 8	$ (7)	$ 9
Exit and other-related costs [1]	9	4	5	33	46	97
Asset impairments and accelerated depreciation [2]	18	20	5	35	61	139
Total	$ 35	$ 25	$ 9	$ 76	$ 100	$ 245

(1) Exit and other-related costs consist of accruals for costs to be incurred without future economic benefits, project consulting fees, and other exit costs expensed as incurred. For the Company's International segment, costs primarily relate to optimization programs in Canada, exit-related actions for the Company's European divestitures, and programs for operating model and cost optimization efforts in the U.K. For Corporate, primarily represents costs related to the transition to the partial remote work model described above and various other initiatives.

(2) Costs primarily relate to the transition to the partial remote work model described above.

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

The following table summarizes the activity related to the liabilities associated with the Company's restructuring initiatives for the years ended March 31, 2024 and 2023:

(In millions)	U.S. Pharmaceutical	Prescription Technology Solutions	Medical-Surgical Solutions	International	Corporate	Total
Balance, March 31, 2022	$ 11	$ 3	$ 1	$ 56	$ 59	$ 130
Restructuring, impairment, and related charges, net	38	43	10	35	83	209
Non-cash charges	(25)	(13)	(5)	(10)	(19)	(72)
Cash payments	(9)	(7)	(3)	(10)	(86)	(115)
Other [1]	—	—	—	(58)	(2)	(60)
Balance, March 31, 2023 [2]	15	26	3	13	35	92
Restructuring, impairment, and related charges, net	17	11	11	21	55	115
Non-cash charges	(4)	—	—	(10)	(29)	(43)
Cash payments	(15)	(32)	(13)	(5)	(40)	(105)
Other [1]	5	—	—	(9)	—	(4)
Balance, March 31, 2024 [3]	$ 18	$ 5	$ 1	$ 10	$ 21	$ 55

(1) Other primarily includes cumulative translation adjustments and transfers to certain other liabilities. For the Company's International segment, other also includes a reduction to the liability for the divestitures of the E.U. disposal group and the U.K. disposal group in fiscal 2023, as discussed in more detail in Financial Note 2, "Business Acquisitions and Divestitures."

(2) As of March 31, 2023, the total reserve balance was $ 92 million, of which $ 66 million was recorded in "Other accrued liabilities" and $ 26 million was recorded in "Other non-current liabilities" in the Company's Consolidated Balance Sheet.

(3) As of March 31, 2024, the total reserve balance was $ 55 million, of which $ 24 million was recorded in "Other accrued liabilities" and $ 31 million was recorded in "Other non-current liabilities" in the Company's Consolidated Balance Sheet.

Long-Lived Asset Impairments

Fiscal 2024

There were no material long-lived asset impairments recorded in fiscal 2024.

Fiscal 2023

There were no material long-lived asset impairments recorded in fiscal 2023.

Fiscal 2022

In fiscal 2022, the Company recognized charges totaling $ 36 million to impair certain long-lived assets within the International segment related to the Company's previous operations in Denmark and its retail pharmacy businesses in Canada. The Company used an income approach and a market approach to estimate the fair value of the long-lived assets.

4. Share-Based Compensation

The Company provides share-based compensation to its employees, officers, and non-employee directors, including restricted stock units ("RSUs"), performance-based stock units ("PSUs"), stock options, and an employee stock purchase plan ("ESPP") (collectively, "share-based awards"). Most of the share-based awards are granted in the first quarter of each fiscal year.

Share-based compensation expense for the share-based awards is recognized for the portion of awards ultimately expected to vest. The Company estimates the number of share-based awards that will ultimately vest primarily based on historical experience. The estimated forfeiture rate established upon grant is re-assessed throughout the requisite service period and is adjusted when actual forfeitures occur. The actual forfeitures in future reporting periods could be higher or lower than current estimates.

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

Share-based compensation expense is classified in the Consolidated Statements of Operations in the same manner as cash compensation paid to the Company's employees and included in "Selling, distribution, general, and administrative expenses."

Impact on Net Income

The components of share-based compensation expense and related tax benefits were as follows:

	Years Ended March 31,		
(In millions)	**2024**	**2023**	**2022**
Restricted stock unit awards [1]	$ 168	$ 149	$ 148
Stock options	—	—	2
Employee stock purchase plan	14	13	11
Share-based compensation expense	182	162	161
Tax benefit for share-based compensation expense [2]	(72)	(87)	(35)
Share-based compensation expense, net of tax	$ 110	$ 75	$ 126

(1) Includes share-based compensation expense recognized for RSUs and PSUs.

(2) Income tax benefit is computed using the tax rates of applicable tax jurisdictions. Additionally, a portion of share-based compensation expense is not tax-deductible. Income tax benefit for fiscal 2024, fiscal 2023, and fiscal 2022 included discrete income tax benefits of $ 37 million, $ 58 million, and $ 10 million, respectively.

Stock Plans

In April 2022, the Company's stockholders approved the McKesson Corporation 2022 Stock Plan (the "2022 Stock Plan"), to replace the McKesson Corporation 2013 Stock Plan (the "2013 Stock Plan"), which expired in 2023. The 2022 Stock Plan permits the grant of awards in the form of restricted stock, RSUs, PSUs, stock options, and other share-based awards to selected employees, officers, and non-employee directors. The shares previously reserved under the 2013 Stock Plan are no longer available for issuance pursuant to the 2022 Stock Plan. As of March 31, 2024, 4.5 million shares remain available for future grant under the 2022 Stock Plan and no shares are available for future grant under the 2013 Stock Plan.

Restricted Stock Unit Awards

RSUs entitle the holder to receive a specified number of shares of the Company's common stock which vest over a period of generally three to four years as determined by the Compensation Committee at the time of grant. The fair value of the award is determined based on the price of the Company's common stock on the grant date and the related share-based compensation expense is recognized over the vesting period on a straight-line basis.

Non-employee directors receive an annual grant of RSUs, which vest immediately and are expensed upon grant. The director may elect to receive the underlying shares immediately or defer receipt of the shares if they meet director stock ownership guidelines. The shares will be automatically deferred for those directors who do not meet the director stock ownership guidelines. At March 31, 2024, approximately 40,000 RSUs for the Company's directors were vested.

PSUs are conditional upon the attainment of market and performance objectives over a specified period. The number of vested PSUs is assessed at the end of a three-year performance period upon attainment of meeting certain earnings per share targets, average return on invested capital, and for certain participants, total shareholder return relative to a peer group of companies. The Company uses the Monte Carlo simulation model to measure the fair value of the total shareholder return portion of the PSUs. The earnings per share portion of the PSUs is measured at the grant date market price. PSUs have a requisite service period of generally three years . Expense is attributed to the requisite service period on a straight-line basis based on the fair value of the PSUs, adjusted for the performance modifier at the end of each reporting period. For PSUs that are designated as equity awards, the fair value is measured at the grant date.

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

The weighted-average assumptions used in the Monte Carlo valuations were as follows:

	Years Ended March 31,		
	2024	**2023**	**2022**
Expected stock price volatility	24 %	34 %	35 %
Expected dividend yield	0.6 %	0.6 %	0.9 %
Risk-free interest rate	3.9 %	2.7 %	0.3 %
Expected life (in years)	3	3	3

The following table summarizes activity for RSUs and PSUs during fiscal 2024:

(In millions, except per share data)	**Shares**	**Weighted-Average Grant Date Fair Value Per Share**
Nonvested, March 31, 2023	1.7	$ 238.77
Granted	0.5	405.03
Cancelled	(0.1)	314.09
Vested	(0.7)	203.55
Nonvested, March 31, 2024	1.4	$ 307.73

The following table provides data related to RSU and PSU award activity:

	Years Ended March 31,		
(In millions)	**2024**	**2023**	**2022**
Total fair value of shares vested	$ 143	$ 200	$ 144
Total compensation cost, net of estimated forfeitures, related to nonvested restricted stock unit awards not yet recognized, pre-tax	$ 205	$ 192	$ 165
Weighted-average period in years over which restricted stock unit award cost is expected to be recognized	2	2	2

Stock Options

Stock options are granted with an exercise price at no less than the fair market value and those options granted under the stock plans generally have a contractual term of seven years and follow a four-year vesting schedule. The Company did not grant any stock options during the years ended March 31, 2024, 2023, and 2022.

Share-based compensation expense for stock options is recognized on a straight-line basis over the requisite service period and is based on the grant-date fair value for the portion of the awards that is ultimately expected to vest. The Company uses the Black-Scholes options-pricing model to estimate the fair value of its stock options. Once the fair value of an employee stock option is determined, current accounting practices do not permit it to be changed, even if the estimates used are different from actual.

The following is a summary of stock options outstanding at March 31, 2024:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	**Number of Options Outstanding at Year End (In millions)**	**Weighted-Average Remaining Contractual Life (Years)**	**Weighted-Average Exercise Price**	**Number of Options Exercisable at Year End (In millions)**	**Weighted-Average Exercise Price**
$ 124.12 — $ 159.00	0.1	1	$ 145.78	0.1	$ 145.78

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

The following table summarizes stock option activity during fiscal 2024:

(In millions, except per share data)	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value [2]
Outstanding, March 31, 2023	0.4	$ 154.36	1	$ 73
Granted	—	—		
Cancelled	—	—		
Exercised	(0.3)	157.99		
Outstanding, March 31, 2024	0.1	145.78	1	42
Vested and expected to vest [1]	0.1	145.78	1	42
Vested and exercisable, March 31, 2024	0.1	145.78	1	42

(1) The number of options expected to vest takes into account an estimate of expected forfeitures.

(2) The intrinsic value is calculated as the difference between the period-end market price of the Company's common stock and the exercise price of "in-the-money" options.

The following table provides data related to stock option activity:

	Years Ended March 31,		
(In millions, except per share data)	2024	2023	2022
Weighted-average grant date fair value per stock option	$ —	$ —	$ —
Aggregate intrinsic value on exercise	$ 77	$ 69	$ 28
Cash received upon exercise	$ 40	$ 93	$ 157
Tax benefits realized related to exercise	$ 16	$ 4	$ 5
Total fair value of stock options vested	$ —	$ 1	$ 5
Total compensation cost, net of estimated forfeitures, related to unvested stock options not yet recognized, pre-tax	$ —	$ —	$ —
Weighted-average period in years over which stock option compensation cost is expected to be recognized	0	0	0

Employee Stock Purchase Plan

The Company has an ESPP under which 23.1 million shares have been authorized for issuance. The ESPP allows eligible employees to purchase shares of the Company's common stock through payroll deductions. The deductions occur over three-month purchase periods and the shares are then purchased at 85 % of the market price at the end of each purchase period. Employees are allowed to terminate their participation in the ESPP at any time during the purchase period prior to the purchase of the shares, subject to the Company's insider trading policies and procedures. The 15 % discount provided to employees on these shares is included in share-based compensation expense. The shares related to funds outstanding at the end of a quarter are included in the calculation of diluted weighted-average shares outstanding. These amounts have not been significant for all the years presented. The Company recognizes costs for employer matching contributions as ESPP expense over the relevant purchase period. Shares issued under the ESPP were not material in fiscal 2024, fiscal 2023, and fiscal 2022. At March 31, 2024, 3.4 million shares remain available for issuance.

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

5. Other Income, Net

Other income, net consists of the following:

	Years Ended March 31,		
(In millions)	2024	2023	2022
Interest income [1]	$ 118	$ 107	$ 10
Equity in earnings, net [2]	4	5	43
Net gains (losses) on investments in equity securities [3]	(24)	106	98
Other, net [4]	34	279	108
Total	$ 132	$ 497	$ 259

(1) The increase in interest income for fiscal 2024 and fiscal 2023 compared to fiscal 2022 is primarily due to higher interest rates on certain cash balances.

(2) Primarily recorded within the Company's International segment for fiscal 2022.

(3) Represents net realized and unrealized gains and losses as well as impairment charges on the Company's investments in equity securities of certain U.S. growth stage companies in the healthcare industry. These net gains and losses primarily relate to mark-to-market adjustments for investments which are measured at fair value based on changes in the observable price of the securities and realized gains on the disposal of certain of these investments, including a gain of $ 142 million for the year ended March 31, 2023 related to the exit of one of the Company's investments in equity securities in July 2022 for proceeds of $ 179 million. Refer to Financial Note 15, "Fair Value Measurements," for more information on these types of investments.

(4) Other, net for all periods presented includes income recognized from finance charges to customers primarily for late fees.

Other, net for year ended March 31, 2023 includes the following:

- a gain of $ 126 million related to a cash payment received for the early termination of a tax receivable agreement ("TRA") exercised by Change Healthcare Inc. ("Change") in October 2022. The Company was a party to a TRA entered into as part of the formation of the joint venture with Change, from which McKesson has since exited and in October 2022, Change exercised its right pursuant to the TRA to terminate the agreement; and
- a gain of $ 97 million recognized from the termination of certain forward starting fixed interest rate swaps, as discussed in more detail in Financial Note 14, "Hedging Activities."

Other, net for the year ended March 31, 2022 includes a gain of $ 42 million as part of the completed sale of the Company's previously held 30 % interest in its German pharmaceutical wholesale joint venture to Walgreens Boots Alliance ("WBA").

6. Income Taxes

	Years Ended March 31,		
(In millions)	2024	2023	2022
Income from continuing operations before income taxes			
U.S.	$ 2,597	$ 3,308	$ 1,944
Foreign	1,192	1,322	(16)
Income from continuing operations before income taxes	$ 3,789	$ 4,630	$ 1,928

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

Income tax expense related to continuing operations consists of the following:

(In millions, except percentages)	Years Ended March 31, 2024	2023	2022
Current			
Federal	$ 867	$ 619	$ 233
State	231	126	129
Foreign	134	180	240
Total current	1,232	925	602
Deferred			
Federal	(360)	(46)	88
State	(133)	36	(16)
Foreign	(110)	(10)	(38)
Total deferred	(603)	(20)	34
Income tax expense	$ 629	$ 905	$ 636
Reported income tax rate	16.6 %	19.5 %	33.0 %

Fluctuations in the Company's reported income tax rates are primarily due to changes in the mix of earnings between various taxing jurisdictions, other discrete items recognized in each fiscal year, non-cash charges related to remeasuring the value of the E.U. disposal group and U.K. disposal group held for sale to fair value less costs to sell in fiscal 2022, and the impact of opioid-related claims in fiscal 2022.

The reconciliation of income tax expense and the amount computed by applying the statutory federal income tax rate of 21.0 % to income before income taxes was as follows:

(In millions)	Years Ended March 31, 2024	2023	2022
Income tax expense at federal statutory rate	$ 796	$ 972	$ 405
State income taxes, net of federal tax benefit	104	134	85
Tax effect of foreign operations	(16)	(85)	(152)
Foreign-derived intangible income	(67)	(60)	(34)
Unrecognized tax benefits and settlements	116	6	(26)
Opioid-related litigation and claims	—	9	38
Net tax benefit on intellectual property repatriation and sale	(104)	—	—
E.U. disposal transaction loss	4	(8)	345
Valuation allowance release	(157)	—	—
Share-based compensation	(37)	(58)	(10)
Other, net [(1)]	(10)	(5)	(15)
Income tax expense	$ 629	$ 905	$ 636

(1) The Company's effective tax rates were impacted by other favorable U.S. federal permanent differences, including research and development credits of $ 10 million in fiscal 2024, and $ 4 million in each of fiscal 2023 and fiscal 2022.

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

During the year ended March 31, 2024, the Company recognized a net discrete tax benefit of $ 157 million related to the release of a valuation allowance based on management's reassessment of the amount of its deferred tax assets that are more likely than not to be realized.

During the year ended March 31, 2024, the Company also repatriated certain intellectual property between McKesson wholly-owned legal entities that are based in different tax jurisdictions. The transferor entity of the intellectual property was not subject to income tax on this transaction. The recipient entity of the intellectual property is entitled to amortize the fair value of the assets for tax purposes. As a result of this repatriation and in accordance with ASU 2016-16, *Intra-Entity Transfers of Assets Other Than Inventory*, a net discrete tax benefit of $ 147 million was recognized in the first quarter of fiscal 2024. In addition, the Company sold certain intellectual property between McKesson wholly-owned legal entities that are based in different tax jurisdictions, where the transferor entity was subject to income tax and the recipient entity is entitled to amortize the fair value of the assets for tax purposes. As a result of this sale, a net discrete tax expense of $ 43 million was recognized in the fourth quarter of fiscal 2024.

During the year ended March 31, 2023, the Company recognized discrete tax benefits primarily consisting of $ 115 million related to statute of limitation expirations and tax settlements in various taxing jurisdictions and $ 58 million related to the tax impact of share-based compensation.

During the year ended March 31, 2022, the Company recorded non-deductible, non-cash pre-tax charges of $ 438 million primarily to remeasure the E.U. disposal group to fair value less costs to sell, and $ 1.2 billion to remeasure the U.K. disposal group to fair value less costs to sell, as described in Financial Note 2, "Business Acquisitions and Divestitures."

The Company's reported income tax rate for fiscal 2022 was impacted by the charge for opioid-related claims of $ 274 million, as described in Financial Note 17, "Commitments and Contingent Liabilities."

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

Deferred tax balances consisted of the following:

(In millions)	March 31, 2024	March 31, 2023
Assets		
Receivable allowances	$ 244	$ 51
Opioid-related litigation and claims	680	699
Compensation and benefit-related accruals	277	265
Net operating loss and credit carryforwards	751	760
Lease obligations	438	427
Capitalized research and development cost	60	35
Intangibles	5	—
Other	147	127
Subtotal	2,602	2,364
Less: valuation allowance	(653)	(696)
Total assets	1,949	1,668
Liabilities		
Inventory valuation and other assets	(2,092)	(2,079)
Fixed assets	(16)	(67)
Intangibles	—	(267)
Lease right-of-use assets	(431)	(412)
Other	(10)	(19)
Total liabilities	(2,549)	(2,844)
Net deferred tax liability	$ (600)	$ (1,176)
Long-term deferred tax asset	$ 317	$ 211
Long-term deferred tax liability	(917)	(1,387)
Net deferred tax liability	$ (600)	$ (1,176)

The Company assesses the available positive and negative evidence to determine whether deferred tax assets are more likely than not to be realized. As a result of this assessment, valuation allowances have been recorded on certain deferred tax assets in various tax jurisdictions. The valuation allowances were approximately $ 653 million and $ 696 million in fiscal 2024 and fiscal 2023, respectively, and primarily relate to net operating and capital losses. The decrease in the valuation allowance of $ 43 million from fiscal 2023 to fiscal 2024 relates primarily to the release of a valuation allowance based on management's reassessment of the amount of its deferred tax assets that are more likely than not to be realized, partially offset by the net operating losses incurred in certain tax jurisdictions for which no tax benefit was recognized.

The Company has federal, state, and foreign net operating loss carryforwards of $ 45 million, $ 3.6 billion, and $ 1.7 billion at March 31, 2024, respectively. Federal and state net operating losses will expire at various dates from 2025 through 2044. Substantially all its foreign net operating losses have indefinite lives. In addition, the Company has foreign capital loss carryforwards of $ 717 million with indefinite lives.

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

The following table summarizes the activity related to the Company's gross unrecognized tax benefits for the last three fiscal years:

	Years Ended March 31,		
(In millions)	**2024**	**2023**	**2022**
Unrecognized tax benefits at beginning of period	$ 1,399	$ 1,523	$ 1,754
Additions based on tax positions related to prior years	10	—	14
Reductions based on tax positions related to prior years	(2)	(26)	(131)
Additions based on tax positions related to current year	64	21	14
Reductions based on settlements	(8)	(96)	(20)
Reductions based on the lapse of the applicable statutes of limitations	(2)	(16)	(102)
Exchange rate fluctuations	2	(7)	(6)
Unrecognized tax benefits at end of period	$ 1,463	$ 1,399	$ 1,523

As of March 31, 2024, the Company had $ 1.5 billion of unrecognized tax benefits, of which $ 1.4 billion would reduce income tax expense and the effective tax rate, if recognized. The increase in unrecognized tax benefits in fiscal 2024 primarily relates to additions related to recurring items and the decrease in fiscal 2023 is primarily attributable to statute of limitation expirations in various taxing jurisdictions.

During the next twelve months, the Company does not anticipate any material reduction in its unrecognized tax benefits based on the information currently available. However, this may change as the Company continues to have ongoing discussions with various taxing authorities throughout the year.

During the fourth quarter of fiscal 2023, the Internal Revenue Service ("IRS") communicated proposed adjustments to taxable income reported in the Company's fiscal 2018 and fiscal 2019 U.S. Federal Corporate Income Tax returns. The adjustments would increase the Company's federal income tax liability in the range of $ 600 million to $ 700 million. The Company disagrees with the proposed adjustments and is pursuing resolution through the administrative process with the IRS Independent Office of Appeals and, if necessary, through judicial remedies. During the first quarter of fiscal 2024, the Company filed a formal protest with the IRS. The Company does not anticipate a final resolution of these matters in the next twelve months. Although the final resolution of these matters is uncertain, the Company believes in the merits of its tax positions and believes that it has adequately reserved for any adjustments to the provision of income taxes that may ultimately result. However, if the IRS prevails in these matters, the assessed tax and interest could have a material adverse effect on the Company's financial position, results of operations, and cash flows in future periods.

The Company reports interest and penalties on income taxes as income tax expense. It recognized income tax expense of $ 84 million, $ 31 million, and $ 8 million in fiscal 2024, fiscal 2023, and fiscal 2022, respectively, representing interest and penalties, in its Consolidated Statements of Operations. As of March 31, 2024 and 2023, the Company accrued cumulatively $ 222 million and $ 138 million, respectively, in interest and penalties on unrecognized tax benefits in its Consolidated Balance Sheets.

The Company files income tax returns in the U.S. federal jurisdiction, various U.S. state jurisdictions, and various foreign jurisdictions. The Company is generally subject to audit by taxing authorities in various U.S. states and in foreign jurisdictions for fiscal 2016 through the current fiscal year.

Undistributed earnings of the Company's foreign operations of approximately $ 4.3 billion were considered indefinitely reinvested at March 31, 2024. Following the enactment of the 2017 Tax Act, the repatriation of cash to the U.S. is generally no longer taxable for federal income tax purposes. However, the repatriation of cash held outside the U.S. could be subject to applicable foreign withholding taxes and state income taxes. The Company may remit foreign earnings to the U.S. to the extent it is tax efficient to do so. It does not expect the tax impact from remitting these earnings to be material.

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

7. Noncontrolling Interests and Redeemable Noncontrolling Interests

Noncontrolling Interests

Noncontrolling interests represent third-party equity interests in the Company's consolidated entities primarily related to ClarusONE, Vantage, and SCRI Oncology. As discussed below, after June 15, 2021, noncontrolling interests also represented minority shareholder equity interests in McKesson Europe and at March 31, 2022, the Company owned approximately 95 % of McKesson Europe's outstanding common shares. The Company's noncontrolling interest in McKesson Europe was included in the divestiture of the E.U. disposal group in October 2022, as discussed in Financial Note 2, "Business Acquisitions and Divestitures."

Noncontrolling interests in the Company's Consolidated Balance Sheets were $ 372 million and $ 367 million at March 31, 2024 and 2023, respectively. For the years ended March 31, 2024, 2023, and 2022, the Company allocated a total of $ 158 million, $ 162 million, and $ 165 million of net income to noncontrolling interests, respectively.

Redeemable Noncontrolling Interests

The Company's previously recognized redeemable noncontrolling interests primarily related to its former consolidated subsidiary, McKesson Europe. Under the December 2014 domination and profit and loss transfer agreement (the "Domination Agreement"), the noncontrolling shareholders of McKesson Europe were entitled to receive an annual recurring compensation amount of € 0.83 per share. The Company recorded a total attribution of net income to the noncontrolling shareholders of McKesson Europe of $ 8 million for the year ended March 31, 2022, which was recorded in "Net income attributable to noncontrolling interests" in the Company's Consolidated Statement of Operations and the corresponding liability balance was recorded to other accrued liabilities.

Under the Domination Agreement, the noncontrolling shareholders of McKesson Europe had a right to put ("Put Right") their noncontrolling shares at € 22.99 per share, increased annually for interest in the amount of five percentage points above a base rate published by the German Bundesbank semi-annually, less any compensation amount or guaranteed dividend already paid by McKesson with respect to the relevant time period ("Put Amount").

Subsequent to the Domination Agreement's registration, certain noncontrolling shareholders of McKesson Europe initiated appraisal proceedings ("Appraisal Proceedings") with the Stuttgart Regional Court to challenge the adequacy of the Put Amount, annual recurring compensation amount, and/or the guaranteed dividend. During the pendency of the Appraisal Proceedings, such amount was paid as specified in the Domination Agreement. On September 19, 2018, that court ruled that the Put Amount shall be increased by € 0.51 resulting in an adjusted Put Amount of € 23.50 . The annual recurring compensation amount and/or the guaranteed dividend remained unadjusted. Noncontrolling shareholders of McKesson Europe appealed this decision. McKesson Europe Holdings GmbH & Co. KGaA also appealed the decision. On April 12, 2021, the Company received notice that the Stuttgart Court of Appeals ruled that the Put Amount remained at € 22.99 , thereby rejecting the lower court's increase, and the recurring compensation remained at € 0.83 per share.

Exercises of the Put Right reduced the balance of redeemable noncontrolling interests. The redeemable noncontrolling interest was adjusted each period for the proportion of other comprehensive income or loss, primarily due to changes in foreign currency exchange rates, attributable to the noncontrolling shareholders.

During fiscal 2022, the Company paid $ 1.0 billion to purchase 34.5 million shares of McKesson Europe through exercises of the Put Right by the noncontrolling shareholders. This decreased the carrying value of the redeemable noncontrolling interests by $ 983 million and the Company recorded the associated effect of the increase in the Company's ownership interest of $ 178 million as an increase to McKesson stockholders' additional paid-in capital. The Put Right expired on June 15, 2021, at which point the remaining shares owned by the minority shareholders, with a carrying value of $ 287 million, were transferred from "Redeemable noncontrolling interests" to "Noncontrolling interests."

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

Changes in noncontrolling interests and redeemable noncontrolling interests for the years ended March 31, 2024, 2023, and 2022 were as follows:

(In millions)	Noncontrolling Interests	Redeemable Noncontrolling Interests
Balance, March 31, 2021	$ 196	$ 1,271
Net income attributable to noncontrolling interests	165	8
Other comprehensive income (loss)	(4)	3
Payments to noncontrolling interests	(155)	—
Reclassification of recurring compensation to other accrued liabilities	(7)	(8)
Exercises of Put Right	—	(983)
Reclassification of McKesson Europe redeemable noncontrolling interests	287	(287)
Other	(2)	(4)
Balance, March 31, 2022	480	—
Net income attributable to noncontrolling interests	162	—
Other comprehensive income	44	—
Payments to noncontrolling interests	(150)	—
Reclassification of recurring compensation to other accrued liabilities	(5)	—
Formation of SCRI Oncology	225	—
Derecognition of noncontrolling interests in McKesson Europe	(382)	—
Other	(7)	—
Balance, March 31, 2023	367	—
Net income attributable to noncontrolling interests	158	—
Payments to noncontrolling interests	(152)	—
Other	(1)	—
Balance, March 31, 2024	$ 372	$ —

8. Earnings (Loss) Per Common Share

Basic earnings (loss) per common share is computed by dividing net income (loss) by the weighted-average number of common shares outstanding during the reporting period. The computation of diluted earnings (loss) per common share is similar to that of basic earnings (loss) per common share, except that the former reflects the potential dilution that could occur if dilutive securities or other obligations to issue common stock were exercised or converted into common stock. Potentially dilutive securities include outstanding stock options, restricted stock units, and performance-based and other restricted stock units.

Less than one million of potentially dilutive securities for fiscal 2024, fiscal 2023, and fiscal 2022 were excluded from the computation of diluted earnings (loss) per common share as they were anti-dilutive.

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

The computations for basic and diluted earnings or loss per common share were as follows:

(In millions, except per share amounts)	Years Ended March 31, 2024	2023	2022
Income from continuing operations	$ 3,160	$ 3,725	$ 1,292
Net income attributable to noncontrolling interests	(158)	(162)	(173)
Income from continuing operations attributable to McKesson Corporation	3,002	3,563	1,119
Loss from discontinued operations, net of tax	—	(3)	(5)
Net income attributable to McKesson Corporation	$ 3,002	$ 3,560	$ 1,114
Weighted-average common shares outstanding:			
Basic	133.2	141.1	152.3
Effect of dilutive securities:			
Stock options	0.2	0.2	0.2
Restricted stock units [1]	0.7	0.9	1.6
Diluted	134.1	142.2	154.1
Earnings (loss) per common share attributable to McKesson Corporation: [2]			
Diluted			
Continuing operations	$ 22.39	$ 25.05	$ 7.26
Discontinued operations	—	(0.02)	(0.03)
Total	$ 22.39	$ 25.03	$ 7.23
Basic			
Continuing operations	$ 22.54	$ 25.25	$ 7.35
Discontinued operations	—	(0.02)	(0.03)
Total	$ 22.54	$ 25.23	$ 7.32

(1) Includes dilutive effect from restricted stock units and performance-based restricted stock units.

(2) Certain computations may reflect rounding adjustments.

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

9. Leases

Lessee

Supplemental balance sheet information related to leases was as follows:

(In millions, except lease term and discount rate)	March 31, 2024	March 31, 2023
Operating leases [1]		
Operating lease right-of-use assets	$ 1,729	$ 1,635
Current portion of operating lease liabilities	$ 295	$ 299
Long-term operating lease liabilities	1,466	1,402
Total operating lease liabilities	$ 1,761	$ 1,701
Finance leases		
Property, plant, and equipment, net	$ 165	$ 180
Current portion of long-term debt	$ 30	$ 29
Long-term debt	163	173
Total finance lease liabilities	$ 193	$ 202
Weighted-average remaining lease term (years)		
Operating leases	7.0	6.9
Finance leases	7.0	7.8
Weighted-average discount rate		
Operating leases	3.62 %	3.03 %
Finance leases	2.98 %	2.66 %

(1) As discussed in Financial Note 3, “Restructuring, Impairment, and Related Charges, Net,” in fiscal 2022, the Company rationalized its office space, including certain property leases in North America, and in fiscal 2023, management approved further changes to its real estate footprint as part of a broader set of initiatives. Where the Company ceased using office space, it exited the portion of the facility no longer used and repurposed other office locations which resulted in changes to certain lease agreements. These initiatives did not have a material financial impact to the Company’s operating lease ROU assets and liabilities.

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

The components of lease cost were as follows:

	Years Ended March 31,		
(In millions)	**2024**	**2023**	**2022**
Short-term lease cost	$ 14	$ 20	$ 43
Operating lease cost	418	384	431
Finance lease cost:			
Amortization of right-of-use assets	25	24	33
Interest on lease liabilities	5	6	5
Total finance lease cost	30	30	38
Variable lease cost [1]	131	128	127
Sublease income	(35)	(33)	(41)
Total lease cost [2]	$ 558	$ 529	$ 598

(1) These amounts include payments for maintenance, taxes, payments affected by the consumer price index, and other similar metrics and payments contingent on usage.

(2) These amounts were primarily recorded in “Selling, distribution, general, and administrative expenses” in the Consolidated Statements of Operations.

Supplemental cash flow information related to leases was as follows:

	Years Ended March 31,		
(In millions)	**2024**	**2023**	**2022**
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	$ (339)	$ (338)	$ (356)
Operating cash flows from finance leases	(1)	(1)	—
Financing cash flows from finance leases	(47)	(29)	(31)
Right-of-use assets obtained in exchange for lease obligations:			
Operating leases	$ 391	$ 462	$ 286
Finance leases	21	17	32

Maturities of lease liabilities as of March 31, 2024 were as follows:

(In millions)	**Operating Leases**	**Finance Leases**	**Total**
Fiscal 2025	$ 359	$ 33	$ 392
Fiscal 2026	341	33	374
Fiscal 2027	293	32	325
Fiscal 2028	241	29	270
Fiscal 2029	195	27	222
Thereafter	595	63	658
Total lease payments [1]	2,024	217	2,241
Less imputed interest	(263)	(24)	(287)
Present value of lease liabilities	$ 1,761	$ 193	$ 1,954

(1) Total lease payments are not reduced by future minimum sublease income of $ 166 million, which is due under noncancellable subleases.

As of March 31, 2024, the Company entered into additional leases primarily for facilities that have not yet commenced with future lease payments of $ 354 million that are not reflected in the table above. These operating leases will commence in calendar year 2024 with noncancellable lease terms of three to 15 years.

Lessor

The Company leases certain owned equipment, classified as direct financing or sales-type leases, to physician practices. As of March 31, 2024 and 2023, the total lease receivable was $ 365 million and $ 342 million, respectively, with a weighted-average remaining lease term of approximately eight years . Interest income from these leases was not material for the years ended March 31, 2024, 2023, and 2022.

10. Goodwill and Intangible Assets, Net

Goodwill

Changes in the carrying amount of goodwill were as follows:

(In millions)	U.S. Pharmaceutical [1]	Prescription Technology Solutions	Medical-Surgical Solutions	International	Total
Balance, March 31, 2022	$ 3,923	$ 1,542	$ 2,453	$ 1,533	$ 9,451
Goodwill acquired [2]	160	463	—	5	628
Foreign currency translation adjustments, net	(21)	—	—	(99)	(120)
Other adjustments	(12)	—	—	—	(12)
Balance, March 31, 2023	4,050	2,005	2,453	1,439	9,947
Goodwill acquired [2]	80	19	83	13	195
Foreign currency translation adjustments, net	—	—	—	(3)	(3)
Other adjustments	(7)	—	—	—	(7)
Balance, March 31, 2024	$ 4,123	$ 2,024	$ 2,536	$ 1,449	$ 10,132

(1) Subsequent to the sale of the E.U. disposal group in October 2022, the goodwill balance allocated to the U.S. Pharmaceutical segment related to McKesson Europe's Celesio AG acquisition no longer reflects foreign currency translation adjustments as its functional currency was changed from Euros to U.S. dollars with the completion of this divestiture.

(2) For fiscal 2023, primarily represents goodwill recognized from the acquisition of RxSS and formation of SCRI Oncology, as further discussed in Financial Note 2, "Business Acquisitions and Divestitures." For fiscal 2024, represents goodwill recognized from business acquisitions completed primarily during the fourth quarter of fiscal 2024 that are immaterial to the Company's financial statements, both individually and collectively.

Goodwill Impairment Charges

The Company evaluates goodwill for impairment on an annual basis in the first fiscal quarter, and more frequently if indicators for potential impairment exist. Goodwill impairment testing is conducted at the reporting unit level, which is generally defined as an operating segment or one level below an operating segment (also known as a component), for which discrete financial information is available and segment management regularly reviews the operating results of that reporting unit. During the first quarter of fiscal 2023, the Company voluntarily changed its annual goodwill impairment testing date from October 1st to April 1st to align with a change in the timing of the Company's annual long-term planning process. Accordingly, management determined that the change in accounting principle is preferable under the circumstance. This change has been applied prospectively from April 1, 2022, as a retrospective application is deemed impracticable due to the inability to objectively determine the assumptions and significant estimates used in earlier periods without the benefit of hindsight. This change was not material to the Company's consolidated financial statements as it did not delay, accelerate, or avoid any potential goodwill impairment charge.

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FINANCIAL NOTES (Continued)

The fair value of the reporting units is determined using a combination of an income approach based on a DCF model and a market approach based on appropriate valuation multiples observed for the reporting unit's guideline public companies. Fair value estimates result from a complex series of judgments about future events and uncertainties and relies heavily on estimates and assumptions that have been deemed reasonable by management as of the measurement date. Any material changes in key assumptions, including failure to improve operations of certain retail pharmacy stores, additional government reimbursement reductions, deterioration in the financial markets, an increase in interest rates, or an increase in the cost of equity financing by market participants within the industry, or other unanticipated events and circumstances, may affect such estimates. The discount rates are the weighted-average cost of capital measuring the reporting unit's cost of debt and equity financing weighted by the percentage of debt and percentage of equity in a company's target capital. The unsystematic risk premium is an input factor used in calculating the discount rate that specifically addresses uncertainty related to the reporting unit's future cash flow projections. Fair value assessments of the reporting unit are considered a Level 3 measurement due to the significance of unobservable inputs developed using company-specific information.

The annual impairment testing performed for fiscal 2024, fiscal 2023, and fiscal 2022 did not indicate any impairment of goodwill.

As of March 31, 2024 and 2023, accumulated goodwill impairment losses in the Company's International segment were approximately $ 700 million. Most of the goodwill impairment for these reporting units was generally not deductible for income tax purposes.

Intangible Assets

Information regarding intangible assets were as follows:

		March 31, 2024			March 31, 2023		
(Dollars in millions)	Weighted-Average Remaining Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	11	$ 1,830	$ (701)	$ 1,129	$ 2,971	$ (1,765)	$ 1,206
Service agreements	10	1,126	(676)	450	1,137	(623)	514
Trademarks and trade names	12	759	(395)	364	833	(430)	403
Technology	10	284	(125)	159	264	(129)	135
Other	6	34	(26)	8	193	(174)	19
Total [1]		$ 4,033	$ (1,923)	$ 2,110	$ 5,398	$ (3,121)	$ 2,277

(1) During the third quarter of fiscal 2024, the Company performed a review of its intangible assets and removed from the balance sheet $ 1.4 billion of fully amortized gross intangible assets and the corresponding accumulated amortization associated with the assets that no longer provide an economic benefit, are no longer in use, or for which the related contract has expired.

All intangible assets were subject to amortization as of March 31, 2024 and 2023. Amortization expense of intangible assets was $ 249 million, $ 236 million, and $ 332 million for fiscal 2024, fiscal 2023, and fiscal 2022, respectively. Estimated amortization expense of the assets listed in the table above is as follows: $ 246 million, $ 214 million, $ 207 million, $ 203 million, and $ 200 million for fiscal 2025 through fiscal 2029, respectively, and $ 1.0 billion thereafter.

Refer to Financial Note 2, "Business Acquisitions and Divestitures," for a description of the goodwill and intangible assets recognized as part of the RxSS acquisition and formation of SCRI Oncology.

Refer to Financial Note 3, "Restructuring, Impairment, and Related Charges, Net," for more information on long-lived asset impairment charges recorded in fiscal 2022.

11. Debt and Financing Activities

Long-term debt consisted of the following:

	March 31,	
(In millions)	**2024**	**2023**
U.S. Dollar notes [1] [2]		
3.80 % Notes due March 15, 2024	—	918
0.90 % Notes due December 3, 2025	500	500
5.25 % Notes due February 15, 2026	499	499
1.30 % Notes due August 15, 2026	499	498
7.65 % Debentures due March 1, 2027	150	150
3.95 % Notes due February 16, 2028	343	343
4.90 % Notes due July 15, 2028	399	—
4.75 % Notes due May 30, 2029	196	196
5.10 % Notes due July 15, 2033	596	—
6.00 % Notes due March 1, 2041	218	218
4.88 % Notes due March 15, 2044	255	255
Foreign currency notes [1] [3]		
1.50 % Euro Notes due November 17, 2025	646	649
1.63 % Euro Notes due October 30, 2026	540	542
3.13 % Sterling Notes due February 17, 2029	568	555
Lease and other obligations	220	271
Total debt	5,629	5,594
Less: Current portion	50	968
Total long-term debt	$ 5,579	$ 4,626

(1) These notes are unsecured and unsubordinated obligations of the Company.

(2) Interest on these U.S. dollar notes is payable semi-annually.

(3) Interest on these foreign currency notes is payable annually.

Long-Term Debt

The Company's long-term debt includes both U.S. dollar and foreign currency-denominated borrowings. At March 31, 2024 and 2023, $ 5.6 billion of total debt was outstanding, of which $ 50 million and $ 968 million, respectively, was included under the caption "Current portion of long-term debt" in the Company's Consolidated Balance Sheets.

Public Offerings

On June 15, 2023, the Company completed a public offering of 4.90 % Notes due July 15, 2028 in a principal amount of $ 400 million (the "2028 Notes") and a public offering of 5.10 % Notes due July 15, 2033 in a principal amount of $ 600 million (the "2033 Notes" and, together with the 2028 Notes, the "Notes"). Interest on the Notes is payable semi-annually on January 15th and July 15th of each year, commencing on January 15, 2024. Proceeds received from the issuance of the Notes, net of discounts and offering expenses, were $ 397 million for the 2028 Notes and $ 592 million for the 2033 Notes. The Company utilized a portion of the net proceeds from the offerings of the Notes to fund the purchase price payable with respect to the portion of the Company's then outstanding 3.80 % Notes due March 15, 2024 (the "2024 Notes") that was validly tendered and accepted for purchase pursuant to the Concurrent Tender Offer (as defined below) and to effect the satisfaction and discharge of the remaining portion of the 2024 Notes, all of which is described further below. The remaining net proceeds from the offerings of the Notes was available for general corporate purposes.

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FINANCIAL NOTES (Continued)

On February 15, 2023, the Company completed a public offering of 5.25 % Notes due February 15, 2026 (the “February 2026 Notes”) in a principal amount of $ 500 million. Interest on the February 2026 Notes is payable semi-annually on February 15th and August 15th of each year, commencing on August 15, 2023. Proceeds received from this note issuance, net of discounts and offering expenses, were $ 497 million. The Company utilized the net proceeds from this note issuance to repay existing debt. On or after February 15, 2024, the Company may redeem the February 2026 Notes at its option, in whole or in part, at any time and from time to time, for cash at a redemption price equal to 100 % of the principal amount of the notes being redeemed plus accrued and unpaid interest thereon to, but not including, the redemption date.

On August 12, 2021, the Company completed a public offering of 1.30 % Notes due August 15, 2026 (the “August 2026 Notes”) in a principal amount of $ 500 million. Interest on the August 2026 Notes is payable semi-annually on February 15th and August 15th of each year, commencing on February 15, 2022. Proceeds received from this note issuance, net of discounts and offering expenses, were $ 495 million. The Company utilized the net proceeds from this note issuance for general corporate purposes.

Each note, which constitutes a “Series,” is an unsecured and unsubordinated obligation of the Company and ranks equally with all of the Company’s existing, and from time-to-time, future unsecured and unsubordinated indebtedness outstanding. Each Series is governed by materially similar indentures and officers’ certificates as those of other Series issued by the Company. Upon required notice to holders of notes with fixed interest rates, the Company may redeem those notes at any time prior to maturity, in whole or in part, for cash at redemption prices. In the event of the occurrence of both (1) a change of control of the Company and (2) a downgrade of a Series below an investment grade rating by each of the Ratings Agencies (as defined in the applicable Officer’s Certificate) within a specified period, an offer must be made to purchase that Series from the holders at a price equal to 101 % of the then outstanding principal amount of that Series, plus accrued and unpaid interest to, but not including, the date of repurchase. The indenture and the related officers’ certificate for each Series, subject to the exceptions and in compliance with the conditions as applicable, specify that the Company may not consolidate, merge or sell all or substantially all of its assets, incur liens, or enter into sale-leaseback transactions exceeding specific terms, without the lenders’ consent. The indentures also contain customary events of default provisions.

Retirements and Redemption

On March 15, 2023, the Company retired its $ 360 million outstanding principal amount of 2.85 % Notes due 2023 upon maturity. On December 15, 2022, the Company retired its $ 400 million outstanding principal amount of 2.70 % Notes due 2022 upon maturity. On July 17, 2021, the Company redeemed its € 600 million (or, approximately $ 709 million) outstanding principal amount of Euro-denominated 0.63 % Notes due 2021, prior to maturity at par value. All of these notes were repaid or redeemed using cash on hand.

Concurrent Tender Offer of the 2024 Notes

On June 16, 2023, the Company completed a cash tender offer for any and all of its then outstanding 2024 Notes, which was made concurrently with the offerings of the Notes (the “Concurrent Tender Offer”). The Company paid an aggregate consideration of $ 268 million in the Concurrent Tender Offer to repurchase $ 271 million principal amount of the 2024 Notes at a repurchase price equal to 98.75 % of the principal amount plus accrued and unpaid interest. The repurchase of the 2024 Notes accepted for purchase in the Concurrent Tender Offer was accounted for as a debt extinguishment.

Satisfaction and Discharge of the 2024 Notes

On June 16, 2023, after completing the Concurrent Tender Offer, the Company irrevocably deposited with the trustee under the indenture governing the 2024 Notes (the “2024 Notes Indenture”) U.S. government obligations in an amount sufficient to fund the payment of accrued and unpaid interest of the remaining $ 647 million principal amount of the 2024 Notes as it became due, and of the principal amount of those 2024 Notes on their March 15, 2024 maturity date. The U.S. government obligations were purchased using a portion of the net proceeds from the offerings of the Notes. After the deposit of such funds with the trustee, the Company’s obligations under the 2024 Notes Indenture with respect to the 2024 Notes were satisfied and discharged and the transaction was accounted for as a debt extinguishment.

The total gain recognized on the debt extinguishments described above for the year ended March 31, 2024 was $ 9 million and included within “Interest expense” in the Company’s Consolidated Statement of Operations.

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FINANCIAL NOTES (Continued)

July 2021 Tender Offer

On July 23, 2021, the Company completed a cash tender offer for a portion of its existing outstanding (i) 2.85 % Notes due 2023, (ii) 3.80 % Notes due 2024, (iii) 7.65 % Debentures due 2027, (iv) 3.95 % Notes due 2028, (v) 4.75 % Notes due 2029, (vi) 6.00 % Notes due 2041, and (vii) 4.88 % Notes due 2044 (collectively referred to herein as the "Tender Offer Notes"). In connection with the tender offer, the Company paid an aggregate consideration of $ 1.1 billion to redeem $ 922 million principal amount of the Tender Offer Notes at a redemption price equal to 100 % of the principal amount and premiums of $ 182 million, plus accrued and unpaid interest of $ 14 million. The redemption of the Tender Offer Notes was accounted for as a debt extinguishment. As a result of the redemption, the Company incurred a pre-tax loss on debt extinguishment of $ 191 million for the year ended March 31, 2022, which included premiums of $ 182 million as well as the write-off of unamortized debt issuance costs and transaction fees incurred totaling $ 9 million.

Other Information

Scheduled principal payments of long-term debt are $ 50 million, $ 1.7 billion, $ 1.2 billion, $ 378 million, and $ 986 million for fiscal 2025 through fiscal 2029, respectively, and $ 1.3 billion thereafter.

Revolving Credit Facilities

On November 7, 2022, the Company entered into a Credit Agreement (the "2022 Credit Facility"), that provides a syndicated $ 4.0 billion senior unsecured credit facility with a $ 3.6 billion aggregate sublimit of availability in Canadian dollars, British pound sterling, and Euro. The 2022 Credit Facility was scheduled to mature in November 2027. On November 7, 2023, the maturity date of the 2022 Credit Facility was extended from November 2027 to November 2028. The 2022 Credit Facility replaced the Company's previous syndicated $ 4.0 billion five-year senior unsecured credit facility, dated as of September 25, 2019, as amended (the "2020 Credit Facility"), which was scheduled to mature in September 2024. The 2020 Credit Facility was terminated in connection with the execution of the 2022 Credit Facility. There were no borrowings under the 2020 Credit Facility during the years ended March 31, 2023 and 2022, and no amounts outstanding at the time of its termination.

Borrowings under the 2022 Credit Facility bear interest based upon the Term Secured Overnight Financing Rate ("SOFR") for credit extensions denominated in U.S. dollars, the Sterling Overnight Index Average Reference Rate for credit extensions denominated in British pound sterling, the Euro Interbank Offered Rate for credit extensions denominated in Euros, the Canadian Dealer Offered Rate for credit extensions denominated in Canadian dollars, a prime rate, or alternative overnight rates, as applicable, plus agreed upon margins. The 2022 Credit Facility contains various customary investment grade covenants, including a financial covenant which obligates the Company to maintain a maximum Total Debt to Consolidated EBITDA ratio, as defined in the 2022 Credit Facility. If the Company does not comply with these covenants, its ability to use the 2022 Credit Facility may be suspended and repayment of any outstanding balances under the 2022 Credit Facility may be required. At March 31, 2024, the Company was in compliance with all covenants under the 2022 Credit Facility. The 2022 Credit Facility also permits the Company to establish key performance indicators with respect to certain sustainability targets of the Company in consultation with certain sustainability coordinators. The Company may enter into an amendment to the 2022 Credit Facility to provide for certain adjustments to the otherwise applicable facility fee and margins based on the Company's performance against any established key performance indicators. The remaining terms and conditions of the 2022 Credit Facility are substantially similar to those previously in place under the 2020 Credit Facility. The Company can use funds obtained under the 2022 Credit Facility for general corporate purposes. There were no borrowings under the 2022 Credit Facility during the years ended March 31, 2024 and 2023 and no amounts outstanding at March 31, 2024 and 2023.

2022 Term Loan Credit Facility

On November 7, 2022, the Company entered into a Credit Agreement (the "2022 Term Loan Credit Facility") pursuant to which the Company had an unsecured delayed draw term loan facility up to $ 500 million which was available for borrowing for 90 days after the closing date in up to three separate borrowings. During the third quarter of fiscal 2023, the Company borrowed $ 500 million under the 2022 Term Loan Credit Facility at an interest rate of three-month Term SOFR plus 110 basis points, which was payable quarterly and had an original maturity date of November 7, 2025. The funds obtained were used for general corporate purposes. In February 2023, the Company repaid all borrowings outstanding under the 2022 Term Loan Credit Facility, at which point this facility was terminated in its entirety.

Other Facilities

The Company also maintained bilateral credit facilities primarily denominated in Euros with a committed amount of $ 7 million and an uncommitted amount of $ 111 million as of March 31, 2022, which were transferred as part of the divestiture of the E.U. disposal group in October 2022. Borrowings and repayments were not material during the years ended March 31, 2023 and 2022.

Commercial Paper

The Company maintains a commercial paper program to support its working capital requirements and for other general corporate purposes. Under the program, the Company can issue up to $ 4.0 billion in outstanding commercial paper notes. During the years ended March 31, 2024, 2023, and 2022, the Company borrowed $ 20.0 billion, $ 8.5 billion, and $ 11.2 billion, respectively, and repaid $ 20.0 billion, $ 8.5 billion, and $ 11.2 billion, respectively, under the program. At March 31, 2024 and 2023, there were no commercial paper notes outstanding.

12. Variable Interest Entities

The Company evaluates its ownership, contractual, and other interests in entities to determine if they are VIEs if it has a variable interest in those entities, and the nature and extent of those interests. These evaluations are highly complex and involve management judgment and the use of estimates and assumptions based on available historical information, among other factors. Based on its evaluations, if the Company determines it is the primary beneficiary of such VIEs, it consolidates such entities into its financial statements.

Consolidated Variable Interest Entities

The Company consolidates a VIE when it has the power to direct the activities that most significantly impact the VIE's economic performance and the obligation to absorb losses or the right to receive benefits of the VIE and, as a result, is considered the primary beneficiary of the VIE. The Company consolidates certain single-lessee leasing entities where it, as the lessee, has the majority risk of the leased assets due to its minimum lease payment obligations to these leasing entities. As a result of absorbing this risk, the leases provide the Company with the power to direct the operations of the leased properties and the obligation to absorb losses or the right to receive benefits of the entity. Consolidated VIEs do not have a material impact on the Company's Consolidated Statements of Operations or Consolidated Statements of Cash Flows. Total assets and liabilities included in its Consolidated Balance Sheets for these VIEs were $ 601 million and $ 41 million, respectively, at March 31, 2024, and $ 621 million and $ 53 million, respectively, at March 31, 2023.

Investments in Unconsolidated Variable Interest Entities

The Company is involved with VIEs which it does not consolidate because it does not have the power to direct the activities that most significantly impact their economic performance and thus is not considered the primary beneficiary of the entities. Its relationships include equity method investments and lending, leasing, contractual, or other relationships with the VIEs. The Company's most significant VIE relationships are with oncology and other specialty practices. Under these practice arrangements, the Company generally owns or leases all of the real estate and equipment used by the practices and manages the practices' administrative functions. The Company's maximum exposure to loss (regardless of probability) as a result of all unconsolidated VIEs was $ 1.5 billion and $ 1.4 billion at March 31, 2024 and 2023, respectively, which primarily represents the value of intangible assets related to service agreements, lease and loan receivables, operating ROU assets, and equity investments. This amount excludes the customer loan guarantees discussed in Financial Note 16, "Financial Guarantees and Warranties." The Company believes there is no material loss exposure on these assets or from these relationships.

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FINANCIAL NOTES (Continued)

13. Pension Benefits

The Company maintains a number of qualified and nonqualified defined benefit pension plans and defined contribution plans for eligible employees.

Non-U.S. Defined Benefit Pension Plans

As of March 31, 2024 and 2023, the Company's non-U.S. defined benefit pension plans cover eligible employees located predominantly in Norway and Canada. Benefits for these plans are based primarily on each employee's final salary, with annual adjustments for inflation. The obligations in Norway are largely related to the state-regulated pension plan which is managed by the Norwegian Public Service Pension Fund ("SPK"). According to the terms of the SPK, the plan assets of state regulated plans in Norway must correspond very closely to the pension obligation calculated using the principles codified in Norwegian law.

The Company divested certain pension assets and liabilities as part of the European divestiture activities discussed in more detail in Financial Note 2, "Business Acquisitions and Divestitures." During fiscal 2023, the Company divested pension liabilities totaling $ 75 million and released $ 13 million of gains from accumulated other comprehensive loss related to the divestiture of the E.U. disposal group, and divested pension assets of $ 49 million and released $ 30 million of losses from accumulated other comprehensive loss related to the divestiture of the U.K. disposal group. During fiscal 2022, the Company divested $ 43 million of pension liabilities and released $ 11 million of losses from accumulated other comprehensive loss related to the sale of its Austrian business.

Defined benefit plan assets and obligations are measured as of the Company's fiscal year-end. The net periodic expense for the Company's pension plans were as follows:

	Years Ended March 31,		
(In millions)	**2024**	**2023**	**2022**
Service cost - benefits earned during the year	$ 2	$ 5	$ 11
Interest cost on projected benefit obligation	8	7	14
Expected return on assets	(7)	(5)	(19)
Amortization of unrecognized actuarial loss and prior service costs	2	1	3
Curtailment/settlement gain	—	(1)	(5)
Net periodic pension expense	$ 5	$ 7	$ 4

The projected unit credit method is utilized in measuring net periodic pension expense over the employees' service life for the pension plans. Unrecognized actuarial losses exceeding 10 % of the greater of the projected benefit obligation or the market value of assets are amortized straight-line over the average remaining future service period of active employees.

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

Information regarding the changes in benefit obligations and plan assets for the Company's pension plans was as follows:

(In millions)	Years Ended March 31, 2024	2023
Change in benefit obligations		
Benefit obligation at beginning of period [1]	$ 172	$ 701
Service cost	2	5
Interest cost	8	7
Actuarial gain	—	(65)
Benefits paid	(9)	(11)
Curtailment/settlement	—	(3)
Expenses paid	—	(1)
Divestitures [2]	—	(408)
Foreign exchange impact and other	1	(53)
Benefit obligation at end of period [1]	$ 174	$ 172
Change in plan assets		
Fair value of plan assets at beginning of period	$ 174	$ 681
Actual return on plan assets	(1)	(51)
Employer and participant contributions	5	7
Benefits paid	(9)	(11)
Expenses paid	—	(1)
Settlements	—	(3)
Divestitures [2]	—	(393)
Foreign exchange impact and other	2	(55)
Fair value of plan assets at end of period	$ 171	$ 174
Funded status at end of period	$ (3)	$ 2
Amounts recognized on the balance sheet		
Current assets	$ —	$ —
Long-term assets	18	24
Current liabilities	(1)	(1)
Long-term liabilities	(20)	(21)
Total	$ (3)	$ 2

(1) The benefit obligation is the projected benefit obligation.

(2) Relates to the completed divestitures of the E.U. disposal group and U.K. disposal group in fiscal 2023 as discussed in more detail in Financial Note 2, "Business Acquisitions and Divestitures."

There was no actuarial gain in fiscal 2024:

- *Discount rates:* The weighted average discount rate slightly increased to 4.55 % as of March 31, 2024 from 4.54 % as of March 31, 2023.
- *Demographic and assumption changes:* There were offsetting gains and losses in the demographic and assumption changes.

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

The actuarial gain of $ 65 million in fiscal 2023 was primarily attributable to:

- *Discount rates ($ 69 million gain):* The weighted average discount rate increased to 4.54 % as of March 31, 2023 from 2.67 % as of March 31, 2022.
- *Demographic and assumption changes ($ 4 million loss):* This represents the difference between actual and estimated participant data and demographic factors, including items such as inflation assumption, compensation changes, mortality, and other changes.

The following table provides the projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for all the Company's pension plans, including accumulated benefit obligation in excess of plan assets:

	March 31,	
(In millions)	**2024**	**2023**
Projected benefit obligation	$ 174	$ 172
Accumulated benefit obligation	172	171
Fair value of plan assets	171	174

Amounts recognized in accumulated other comprehensive loss consist of:

	March 31,	
(In millions)	**2024**	**2023**
Net actuarial loss	$ 57	$ 49
Prior service cost	1	1
Total	$ 58	$ 50

Other changes in accumulated other comprehensive loss were as follows:

	Years Ended March 31,		
(In millions)	**2024**	**2023**	**2022**
Net actuarial (gain) loss	$ 9	$ (7)	$ (32)
Prior service cost	—	1	—
Amortization of:			
Net actuarial loss	(2)	(9)	(14)
Prior service credit	—	2	1
Foreign exchange impact and other	1	(5)	(5)
Total recognized in other comprehensive (income) loss	$ 8	$ (18)	$ (50)

In fiscal 2023, the Company recognized $ 17 million in net actuarial losses for pension plans to stockholders' deficit as a result of the divestitures of its E.U. disposal group and U.K. disposal group. In fiscal 2022, the Company recognized $ 11 million in actuarial losses for pension plans to stockholders' deficit as a result of the sale of its Austrian business. Refer to Financial Note 2, "Business Acquisitions and Divestitures," for more information on the Company's European divestiture activities.

Projected benefit obligations related to the Company's unfunded plans were $ 19 million and $ 18 million at March 31, 2024 and 2023, respectively. Funding obligations for its plans vary based on the laws of each jurisdiction.

Expected benefit payments for the Company's pension plans were as follows: $ 8 million, $ 9 million, $ 10 million, $ 10 million, and $ 10 million for fiscal 2025 to fiscal 2029, respectively, and $ 53 million for fiscal 2030 through fiscal 2034. Expected benefit payments are based on the same assumptions used to measure the benefit obligations and include estimated future employee service. Expected contributions to be made for the Company's pension plans are $ 4 million for fiscal 2025.

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

Weighted-average assumptions used to estimate the net periodic pension expense and the actuarial present value of benefit obligations were as follows:

	Years Ended March 31,		
	2024	**2023**	**2022**
Net periodic pension expense			
Discount rates	4.54 %	2.67 %	1.89 %
Rate of increase in compensation	3.21	3.67	3.20
Expected long-term rate of return on plan assets	4.05	1.63	2.56
Benefit obligation			
Discount rates	4.55 %	4.54 %	2.67 %
Rate of increase in compensation	3.21	3.21	3.67

The Company's defined benefit pension plan liabilities are valued using a discount rate based on a yield curve developed from a portfolio of high-quality corporate bonds rated AA or better whose maturities are aligned with the expected benefit payments of its plans. The Company's defined benefit pension plan liabilities are valued using a weighted-average discount rate of 4.55 %, which represents an increase of one basis point from its fiscal 2023 weighted-average discount rate of 4.54 %.

Plan Assets

Investment Strategy: For plan assets, the investment strategies are subject to local regulations and the asset/liability profiles of the plans in each individual country. Plan assets are broadly invested in a manner appropriate to the nature and duration of the expected future retirement benefits payable under the plans. Plan assets are primarily invested in high-quality corporate and government bond funds and equity securities. Assets are properly diversified to avoid excessive reliance on any particular asset, issuer, or group of undertakings so as to avoid accumulations of risk in the portfolio as a whole.

The Company develops the expected long-term rate of return assumption based on the projected performance of the asset classes in which plan assets are invested. The target asset allocation was determined based on the liability and risk tolerance characteristics of the plans and at times may be adjusted to achieve overall investment objectives.

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

Fair Value Measurements: The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value. Level 1 refers to fair values determined based on unadjusted quoted prices in active markets for identical assets. Level 2 refers to fair values estimated using significant other observable inputs and Level 3 includes fair values estimated using significant unobservable inputs. The following tables represent the Company's plan assets as of March 31, 2024 and 2023, using the fair value hierarchy by asset class:

	March 31, 2024				March 31, 2023			
(In millions)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 7	$ —	$ —	$ 7	$ 7	$ —	$ —	$ 7
Equity securities:								
Equity commingled funds	—	20	—	20	—	18	—	18
Fixed income securities:								
Government securities	—	4	—	4	—	—	—	—
Corporate bonds	—	4	—	4	—	—	—	—
Fixed income commingled funds	—	—	—	—	—	7	—	7
Other:								
Annuity contracts	—	—	103	103	—	—	110	110
Real estate funds and other	—	3	—	3	—	2	—	2
Total	$ 7	$ 31	$ 103	$ 141	$ 7	$ 27	$ 110	$ 144
Assets held at NAV practical expedient [(1)]:								
Other				30				30
Total plan assets				$ 171				$ 174

(1) Equity commingled funds, fixed income commingled funds, real estate funds, and other investments for which fair value is measured using the NAV per share as a practical expedient are not leveled within the fair value hierarchy and are included as a reconciling item to total investments.

Cash and cash equivalents - Cash and cash equivalents include short-term investment funds that maintain daily liquidity and aim to have constant unit values of $ 1.00 . The funds invest in short-term fixed income securities and other securities with debt-like characteristics emphasizing short-term maturities and high credit quality. Directly held cash and cash equivalents are classified as Level 1 investments. Cash and cash equivalents include money market funds and other commingled funds, which have daily net asset values derived from the underlying securities; these are classified as Level 1 investments.

Equity commingled funds - Some equity investments are held in commingled funds, which have daily net asset values derived from quoted prices for the underlying securities in active markets; these are classified as Level 1 or Level 2 investments.

Fixed income securities - Government securities consist of bonds and debentures issued by central governments or federal agencies; corporate bonds consist of bonds and debentures issued by corporations. Inputs to the valuation methodology include quoted prices for similar assets in active markets, and inputs that are observable for the asset, either directly or indirectly, for substantially the full term of the asset. Multiple prices and price types are obtained from pricing vendors whenever possible, enabling cross-provider price validations. Fixed income securities are generally classified as Level 1 or Level 2 investments.

Fixed income commingled funds - Some fixed income investments are held in exchange traded or commingled funds, which have daily net asset values derived from the underlying securities; these are classified as Level 1, 2, or 3 investments.

Annuity contracts - The value of the annuity contracts is reported by the Trustee and is based on a valuation of the remaining contracted cash flow of the contract. Inputs in the valuation include discounted future cash flows; these are classified as Level 3 investments.

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

Real estate funds - The value of the real estate funds is reported by the fund manager and is based on a valuation of the underlying properties. Inputs used in the valuation include items such as cost, discounted future cash flows, independent appraisals, and market based comparable data. The real estate funds are classified as Level 1, 2, or 3 investments.

Other - At March 31, 2024 and 2023, this includes $ 30 million of plan asset value relating to the SPK. In principle, the SPK is organized as a pay-as-you-go system guaranteed by the Norwegian government as it holds no Company-owned assets to back the pension liabilities. The Company pays a pension premium used to fund the plan, which is paid directly to the Norwegian government who establishes an account for each participating employer to keep track of the financial status of the plan, including managing the contributions and the payments. Further, the investment return credited to this account is determined annually by the SPK based on the performance of long-term government bonds.

The following table presents the changes in the Level 3 plan assets measured on a recurring basis for the years ended March 31, 2024 and 2023:

(In millions)		**Level 3**
Balance, March 31, 2022	$	175
Return on assets		(65)
Balance, March 31, 2023	$	110
Return on assets		(7)
Balance, March 31, 2024	$	103

Multiemployer Plans

The Company contributes to a number of multiemployer pension plans under the terms of collective-bargaining agreements that cover union-represented employees in the U.S. In 2017, it also contributed to the Pensjonsordningen for Apoteketaten (“POA”), a mandatory multiemployer pension scheme for its pharmacy employees in Norway, managed by the association of Norwegian Pharmacies.

The risks of participating in these multiemployer plans are different from single-employer pension plans in the following aspects: (i) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers; (ii) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers; and (iii) if the Company chooses to stop participating in some of its multiemployer plans, the Company may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability. Actions taken by other participating employers may lead to adverse changes in the financial condition of a multiemployer benefit plan and the Company’s withdrawal liability and contributions may increase.

Contributions and amounts accrued for U.S. multiemployer pension plans were not material for the years ended March 31, 2024, 2023, and 2022. Contributions to the POA for non-U.S. plans exceeding 5 % of total plan contributions were $ 23 million, $ 19 million, and $ 20 million for the years ended March 31, 2024, 2023, and 2022, respectively. Based on actuarial calculations, the Company estimates the funded status for its non-U.S. Plans to be approximately 79 % as of March 31, 2024. No amounts were accrued for a liability associated with the POA as the Company has no intention to withdraw from the plan.

Defined Contribution Plans

The Company has a contributory retirement savings plan (“RSP”) for U.S. eligible employees. Eligible employees may contribute to the RSP up to 75 % of their eligible compensation on a pre-tax or post-tax basis not to exceed IRS limits. The Company makes matching contributions in an amount equal to 100 % of the employee’s first 3 % of pay contributed and 50 % for the next 2 % of pay contributed. The Company, at the discretion of its Board of Directors (the “Board”), may also make an additional annual matching contribution for each plan year to enable participants to receive a full match based on their annual contribution. The Company also contributed to non-U.S. plans that are available in certain countries. Contribution expenses for the RSP and non-U.S. plans were $ 138 million, $ 125 million, and $ 116 million for the years ended March 31, 2024, 2023, and 2022, respectively.

Postretirement Benefits

The Company maintains a number of postretirement benefit plans, primarily consisting of healthcare and life insurance ("welfare") benefits, for certain eligible U.S. employees. Eligible employees consist of those who retired before March 31, 1999 and those who retired after March 31, 1999, but were an active employee as of that date, after meeting other age-related criteria. It also provides postretirement benefits for certain U.S. executives. Defined benefit plan obligations are measured as of the Company's fiscal year-end. The net periodic credit or expense for the Company's postretirement welfare benefits was no t material for the years ended March 31, 2024, 2023, and 2022. The benefit obligation at March 31, 2024 and 2023 was $ 42 million and $ 45 million, respectively.

14. Hedging Activities

In the normal course of business, the Company is exposed to interest rate and foreign currency exchange rate fluctuations. At times, the Company limits these risks through the use of derivatives as described below. In accordance with the Company's policy, derivatives are only used for hedging purposes. The Company does not use derivatives for trading or speculative purposes. The Company uses various counterparties for its derivative contracts to minimize the exposure to credit risk but does not anticipate non-performance by these parties.

Foreign Currency Exchange Risk

The Company conducts its business worldwide in U.S. dollars and the functional currencies of its foreign subsidiaries, including Canadian dollars, Euro, and British pounds sterling. Changes in foreign currency exchange rates could have a material adverse impact on the Company's financial results that are reported in U.S. dollars. The Company is also exposed to foreign currency exchange rate risk related to its foreign subsidiaries, including intercompany loans denominated in non-functional currencies. The Company has certain foreign currency exchange rate risk programs that use foreign currency forward contracts and cross-currency swaps. These forward contracts and cross-currency swaps are generally used to offset the potential income statement effects from intercompany loans and other obligations denominated in non-functional currencies. These programs reduce but do not entirely eliminate foreign currency exchange rate risk.

Interest Rate Risk

The Company has exposure to changes in interest rates, and it utilizes risk programs which use interest rate swaps to hedge the changes in debt fair values caused by fluctuations in benchmark interest rates. The Company also enters into forward contracts to hedge the variability of future benchmark interest rates on any planned bond issuances. These programs reduce but do not entirely eliminate interest rate risk.

Non-Derivative Instruments Designated as Hedges

Prior to the divestiture of the E.U. disposal group, the Company's € 1.1 billion of Euro-denominated notes were designated as non-derivative net investment hedges. These hedges were utilized to hedge portions of the Company's net investments in non-U.S. subsidiaries against the effect of exchange rate fluctuations on the translation of foreign currency balances to the U.S. dollar. For all notes that were designated as net investment hedges and met effectiveness requirements, the changes in carrying value of the notes attributable to the change in spot rates were recorded as foreign currency translation adjustments in "Accumulated other comprehensive loss" in the Consolidated Statements of Stockholders' Equity (Deficit) where they offset foreign currency translation gains and losses recorded on the Company's net investments. To the extent foreign currency-denominated notes designated as net investment hedges were ineffective, changes in carrying value attributable to the change in spot rates were recorded in earnings.

In connection with the sale of the E.U. disposal group in October 2022, the Company reclassified $ 112 million of gains from accumulated other comprehensive loss to "Selling, distribution, general, and administrative expenses" in the Consolidated Statement of Operations for the year ended March 31, 2023. This amount related to the € 1.1 billion of Euro-denominated notes described above which were de-designated as net investment hedges, along with certain other Euro-denominated notes which were previously accounted for as net investment hedges and matured in prior periods, and was included in the fiscal 2023 and fiscal 2022 calculations of charges to remeasure the assets and liabilities of the disposal group to fair value less costs to sell.

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

In connection with the sale of the U.K. disposal group in April 2022, the Company reclassified $ 2 6 million of gains from accumulated other comprehensive loss to “Selling, distribution, general, and administrative expenses” in the Consolidated Statement of Operations for the year ended March 31, 2023. This amount related to the Company’s £ 450 million of British pound sterling-denominated notes, which were previously accounted for as net investment hedges until de-designated in fiscal 2020, and was included in the fiscal 2022 calculation of charges to remeasure the assets and liabilities of the disposal group to fair value less costs to sell.

Foreign currency gains (losses) from non-derivative instruments included in other comprehensive income in the Consolidated Statements of Comprehensive Income were as follows:

	Years Ended March 31,		
(In millions)	**2024**	**2023**	**2022**
Non-derivatives designated as net investment hedges: (1)			
Euro-denominated notes (2)	$ —	$ 7	$ 73

(1) There was no ineffectiveness in these hedges for the years ended March 31, 2023 and 2022.

(2) Includes amounts reclassified to earnings of $ 112 million for the year ended March 31, 2023.

Derivative Instruments

At March 31, 2024 and 2023, the notional amounts of the Company’s outstanding derivatives were as follows:

			March 31, 2024	March 31, 2023
(In millions)	**Currency**	**Maturity Date** (1)	**Notional**	
Derivatives designated as net investment hedges: (2)				
Cross-currency swaps (3)	CAD	Nov-24 to Mar-25	C$ 1,500	C$ 1,500
Derivatives designated as fair value hedges: (2)				
Cross-currency swaps (4)	GBP	Nov-28	£ 450	£ 450
Cross-currency swaps (4)	EUR	Aug-25 to Jul-26	€ 1,100	€ 1,100
Floating interest rate swaps (5)	USD	Feb-26 to Sep-29	$ 1,250	$ 1,250
Derivatives designated as cash flow hedges: (2)				
Cross-currency swaps (3)	CAD	Jan-24	C$ —	C$ 400
Foreign currency forwards (6)	GBP	Apr-24 to Jul-25	£ 39	£ —
Fixed interest rate swaps (7)	USD	Jun-23	$ —	$ 450

(1) The maturity date reflected is for outstanding derivatives as of March 31, 2024.

(2) There was no ineffectiveness in these hedges for the years ended March 31, 2024, 2023, and 2022.

(3) The Company agreed with third parties to exchange fixed interest payments in one currency for fixed interest payments in another currency at specified intervals and to exchange principal in one currency for principal in another currency, calculated by reference to agreed-upon notional amounts.

(4) Represents cross-currency fixed-to-fixed interest rate swaps to mitigate the foreign currency exchange fluctuations on its foreign currency-denominated notes.

(5) Represents fixed-to-floating interest rate swaps to hedge the changes in fair value caused by fluctuations in the benchmark interest rates.

(6) The Company entered into agreements with financial institutions to hedge the variability of foreign currency exchange fluctuations in future cash payments due to a third party in the United Kingdom for capital expenditures.

(7) The Company entered into agreements with financial institutions to lock in the fixed benchmark interest rate for a future bond issuance, which were terminated during the first quarter of fiscal 2024 as discussed further below.

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

Net Investment Hedges

The Company uses cross-currency swaps to hedge portions of the Company's net investments denominated in Canadian dollars against the effect of exchange rate fluctuations on the translation of foreign currency balances to the U.S. dollar. The changes in the fair value of these derivatives attributable to the changes in spot currency exchange rates and differences between spot and forward interest rates are recorded in accumulated other comprehensive loss and offset foreign currency translation gains and losses recorded on the Company's net investments denominated in Canadian dollars. To the extent cross-currency swaps designated as hedges are ineffective, changes in carrying value attributable to the change in spot rates are recorded in earnings.

In April 2024, the Company entered into cross-currency swaps designated as net investment hedges with a total notional amount of C$ 1.5 billion to hedge portions of the Company's net investments denominated in Canadian dollars against the effect of exchange rate fluctuations on the translation of foreign currency balances to the U.S. dollar. These cross-currency swaps mature in April 2025. Further, the Company terminated C$ 500 million of cross-currency swaps designated as net investment hedges with an original maturity date in November 2024.

Fair Value Hedges

The Company uses cross-currency swaps to hedge the changes in the fair value of its foreign currency notes resulting from changes in benchmark interest rates and foreign currency exchange rates. In February 2023, £ 450 million of cross-currency swaps matured and the Company executed new cross-currency swaps with similar terms to continue to mitigate interest rate and foreign exchange rate risks.

In fiscal 2023, the Company entered into cross-currency fixed-to-fixed interest rate swaps with a total notional amount of € 1.1 billion to hedge the changes in the fair value of its underlying Euro-denominated notes resulting from changes in benchmark interest rates and foreign currency exchange rates.

In fiscal 2023, the Company also entered into floating interest rate swaps to convert $ 1.3 billion of its fixed rate debt to floating interest rate in order to hedge the changes in fair value caused by fluctuations in the benchmark interest rate. The changes in the fair value of these derivatives are recorded in "Interest expense" in the Consolidated Statements of Operations.

The changes in the fair value of these derivatives and the offsetting changes in the fair value of the hedged notes are recorded in earnings. Gains from the changes in the Company's fair value hedges recorded in earnings were largely offset by the losses recorded in earnings on the hedged item. For components excluded from the assessment of hedge effectiveness, the initial value of the excluded component is recognized in accumulated other comprehensive income (loss) and then released into earnings over the life of the hedging instrument. The difference between the change in the fair value of the excluded component and the amount amortized into earnings during the period is recorded in other comprehensive income (loss).

Cash Flow Hedges

From time to time, the Company enters into cross-currency swaps to hedge intercompany loans denominated in non-functional currencies to reduce the income statement effects arising from fluctuations in foreign currency exchange rates. The Company also enters into forward contracts to hedge the variability of future benchmark interest rates on any planned bond issuances and to offset the potential income statement effects from obligations denominated in non-functional currencies. The effective portion of changes in the fair value of these hedges is recorded in accumulated other comprehensive loss and reclassified into earnings in the same period in which the hedged transaction affects earnings. Changes in fair values representing hedge ineffectiveness are recognized in current earnings. Gains or losses reclassified from accumulated other comprehensive loss and recorded in "Selling, distribution, general, and administrative expenses" in the Consolidated Statements of Operations were not material for the years ended March 31, 2024, 2023, and 2022.

In the third quarter of fiscal 2024, the Company entered into foreign currency forward contracts designated as cash flow hedges with a total notional amount of £ 45 million to hedge the variability of foreign currency exchange fluctuations in future cash payments due to a third party for capital expenditures, and certain of these contracts matured in the fourth quarter of fiscal 2024.

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

In fiscal 2023, the Company entered into forward-starting fixed interest rate swaps designated as cash flow hedges, with a combined notional amount of $ 450 million, and in the first quarter of fiscal 2024 with a notional amount of $ 50 million, to hedge the variability of future benchmark interest rates on a planned bond issuance. On June 15, 2023, the Company completed a public offering of the 2033 Notes, at which point the $ 500 million cash flow hedges were terminated and the proceeds are being amortized to interest expense over the life of the 2033 Notes, or 10 years. Refer to Financial Note 11, "Debt and Financing Activities," for additional information on the public offering of the 2033 Notes.

In fiscal 2023, the Company also terminated its $ 500 million notional forward starting fixed interest rate swaps and recognized a gain of $ 97 million within "Other income, net" in the Consolidated Statement of Operations.

Derivatives Not Designated as Hedges

Derivative instruments not designated as hedges are marked-to-market at the end of each accounting period with the change in fair value included in earnings. Prior to the divestitures of the E.U. disposal group and U.K. disposal group, the Company had entered into forward contracts to hedge the Euro against cash flows denominated in British pound sterling and other European currencies. Changes in the fair values for contracts not designated as hedges were recorded directly into earnings in "Selling, distribution, general, and administrative expenses" in the Consolidated Statements of Operations. Changes in the fair values were not material for the year ended March 31, 2022, and there were no outstanding derivative instruments not designated as hedges as of March 31, 2022. The Company did not enter into any derivative instruments not designated as hedges during fiscal 2024 and fiscal 2023.

Other Information on Derivative Instruments

Gains (losses) from derivatives included in other comprehensive income in the Consolidated Statements of Comprehensive Income were as follows:

	Years Ended March 31,		
(In millions)	**2024**	**2023**	**2022**
Derivatives designated as net investment hedges:			
Cross-currency swaps	$ 3	$ 28	$ (4)
Derivatives designated as cash flow and other hedges:			
Cross-currency swaps (1)	$ 39	$ (54)	$ (18)
Fixed interest rate swaps	14	(30)	39

(1) Includes other comprehensive income related to the excluded component of certain fair value hedges.

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

Information regarding the fair value of derivatives on a gross basis were as follows:

(In millions)	Balance Sheet Caption	March 31, 2024 Fair Value of Derivative Asset	March 31, 2024 Fair Value of Derivative Liability	March 31, 2024 U.S. Dollar Notional	March 31, 2023 Fair Value of Derivative Asset	March 31, 2023 Fair Value of Derivative Liability	March 31, 2023 U.S. Dollar Notional
Derivatives designated for hedge accounting:							
Cross-currency swaps (current)	Prepaid expenses and other/Other accrued liabilities	$ 13	$ 1	$ 1,122	$ 5	$ —	$ 301
Cross-currency swaps (non-current)	Other non-current assets/liabilities	108	—	1,638	74	2	2,760
Interest rate swaps (non-current)	Other non-current assets/liabilities	—	35	1,250	1	15	1,700
Foreign currency forwards (current)	Other accrued liabilities	—	—	35	—	—	—
Foreign currency forwards (non-current)	Other non-current assets	—	—	15	—	—	—
Total		$ 121	$ 36		$ 80	$ 17	

Refer to Financial Note 15, “Fair Value Measurements,” for more information on these recurring fair value measurements.

15. Fair Value Measurements

The Company measures certain assets and liabilities at fair value in accordance with ASC Topic 820, *Fair Value Measurements and Disclosures*. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 - quoted prices in active markets for identical assets or liabilities.

Level 2 - significant other observable market-based inputs.

Level 3 - significant unobservable inputs for which little or no market data exists and requires considerable assumptions that are significant to the fair value measurement.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Cash and cash equivalents at March 31, 2024 and 2023 included investments in money market funds of $ 705 million and $ 1.4 billion, respectively, which are reported at fair value. The fair value of money market funds was determined using quoted prices for identical investments in active markets, which are considered to be Level 1 inputs under the fair value measurements and disclosure guidance. The carrying value of all other cash equivalents approximates their fair value due to their relatively short-term nature.

Fair values of the Company’s interest rate swaps, cross-currency swaps, and foreign currency forward contracts were determined using observable inputs from available market information, including quoted interest rates, foreign currency exchange rates, and other observable inputs from available market information. These inputs are considered Level 2 under the fair value measurements and disclosure guidance, and may not be representative of actual values that could have been realized or that will be realized in the future. Refer to Financial Note 14, “Hedging Activities,” for fair values and other information on the Company’s derivatives.

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

The Company holds investments in equity and debt securities of U.S. growth stage companies that address both current and emerging business challenges in the healthcare industry and which had a carrying value of $ 240 million and $ 237 million at March 31, 2024 and 2023, respectively. These investments primarily consist of equity securities without readily determinable fair values and are included in “Other non-current assets” in the Consolidated Balance Sheets. During fiscal 2024, the Company recognized impairment charges and unrealized gains on certain investments. During fiscal 2023, the Company recognized impairment charges and realized gains on the exit of certain investments. During fiscal 2022, certain of the Company’s investments in equity securities without readily determinable fair values were remeasured to fair value based on transactions which resulted in changes in the observable price of those securities. The Company recognized a net loss of $ 24 million in fiscal 2024, a net loss of $ 36 million in fiscal 2023, including impairments of $ 59 million, and a net gain of $ 98 million in fiscal 2022. These amounts were recorded in “Other income, net” in the Consolidated Statements of Operations. The carrying value of publicly traded investments was determined using quoted prices for identical investments in active markets and are considered to be Level 1 inputs.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

In addition to assets and liabilities that are measured at fair value on a recurring basis, the Company’s assets and liabilities are also subject to nonrecurring fair value measurements. Generally, assets are recorded at fair value on a nonrecurring basis as a result of impairment charges, including long-lived assets associated with the Company’s restructuring initiatives as discussed in more detail in Financial Note 3, “Restructuring, Impairment, and Related Charges, Net,” or as a result of charges to remeasure assets classified as held for sale to fair value less costs to sell.

At March 31, 2024 and 2023, the contingent consideration liability related to the Company’s acquisition of RxSS in November 2022 was measured at fair value on a nonrecurring basis. At March 31, 2022, the assets and liabilities associated with the E.U. disposal group and U.K. disposal group classified as held for sale were measured at the lower of carrying value or fair value less costs to sell. The E.U. disposal group was divested in October 2022 and the U.K. disposal group was divested in April 2022. Refer to Financial Note 2, “Business Acquisitions and Divestitures" for more information on these transactions. Additionally, at March 31, 2022, assets measured at fair value on a nonrecurring basis included certain long-lived assets within the International segment related to the Company’s previous operations in Denmark and its retail pharmacy businesses in Canada, as discussed in Financial Note 3, “Restructuring, Impairment, and Related Charges, Net.”

The aforementioned investments in equity securities of U.S. growth stage companies include the carrying value of investments without readily determinable fair values, which were determined using a measurement alternative and are recorded at cost less impairment, plus or minus any changes in observable price from orderly transactions of the same or similar security of the same issuer. These inputs related to changes in observable price are considered Level 2 under the fair value measurements and disclosure guidance and may not be representative of actual values that could have been realized or that will be realized in the future. Inputs related to impairments of investments are generally considered Level 3 fair value measurements due to their inherently unobservable nature based on significant assumptions by management and use of company-specific information.

There were no other material assets or liabilities measured at fair value on a nonrecurring basis at March 31, 2024 and 2023.

Other Fair Value Disclosures

At March 31, 2024 and 2023, the carrying amounts of cash, certain cash equivalents, restricted cash, receivables, drafts and accounts payable, and other current liabilities approximated their estimated fair values because of the short-term maturity of these financial instruments.

The Company determines the fair value of commercial paper using quoted prices in active markets for identical instruments, which are considered Level 1 inputs under the fair value measurements and disclosure guidance.

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

The Company's long-term debt is recorded at amortized cost. The carrying value and fair value of the Company's long-term debt was as follows:

	March 31, 2024		March 31, 2023	
(In millions)	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
Long-term debt, including current maturities	$ 5,629	$ 5,488	$ 5,594	$ 5,386

The estimated fair value of the Company's long-term debt was determined using quoted market prices in a less active market and other observable inputs from available market information, which are considered to be Level 2 inputs, and may not be representative of actual values that could have been realized or that will be realized in the future.

Goodwill

Fair value assessments of the reporting unit and the reporting unit's net assets, which are performed for goodwill impairment tests, are considered a Level 3 measurement due to the significance of unobservable inputs developed using company-specific information. The Company considered a market approach as well as an income approach using a DCF model to determine the fair value of each reporting unit.

Long-lived Assets

The Company utilizes multiple approaches including the DCF model and market approaches for estimating the fair value of intangible assets. The future cash flows used in the analysis are based on internal cash flow projections from its long-range plans and include significant assumptions by management. Accordingly, the fair value assessment of long-lived assets is considered a Level 3 fair value measurement.

The Company measures certain long-lived and intangible assets at fair value on a nonrecurring basis when events occur that indicate an asset group may not be recoverable. If the carrying amount of an asset group is not recoverable, an impairment charge is recorded to reduce the carrying amount by the excess over its fair value. Refer to Financial Note 3, "Restructuring, Impairment, and Related Charges, Net" under the heading "*Long-Lived Asset Impairments"* for more information.

16. Financial Guarantees and Warranties

Financial Guarantees

The Company has agreements with certain of its customers' financial institutions, primarily in its International segment, under which it has guaranteed the repurchase of its customers' inventory or its customers' debt in the event these customers are unable to meet their obligations to those financial institutions. For the Company's inventory repurchase agreements, among other requirements, inventories must be in a resalable condition and any repurchase would be at a discount. The inventory repurchase agreements mostly relate to certain Canadian customers and generally range from one to two years . Customers' debt guarantees generally range from three to five years and are primarily provided to facilitate financing for certain customers. The majority of the Company's customers' debt guarantees are secured by certain assets of the customer. At March 31, 2024, the maximum amounts of inventory repurchase guarantees and customers' debt guarantees were $ 337 million and $ 11 million, respectively, of which the Company has not accrued any amounts. The expirations of these financial guarantees were as follows: $ 106 million, $ 212 million, $ 8 million, $ 7 million, and $ 3 million from fiscal 2025 through fiscal 2029, respectively, and $ 12 million thereafter.

At March 31, 2024, the Company's banks and insurance companies have issued $ 211 million of standby letters of credit and surety bonds, which were issued on the Company's behalf primarily related to its customer contracts and in order to meet the security requirements for statutory licenses and permits, court and fiduciary obligations, pension obligations in Europe, and its workers' compensation and automotive liability programs.

The Company's software license agreements generally include certain provisions for indemnifying customers against liabilities if its software products infringe a third party's intellectual property rights. To date, the Company has not incurred any material costs as a result of such indemnification agreements and has not accrued any liabilities related to such obligations.

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

In conjunction with certain transactions, primarily divestitures, the Company may provide routine indemnification agreements (such as retention of previously existing environmental, tax, and employee liabilities) whose terms vary in duration and often are not explicitly defined. Where appropriate, obligations for such indemnifications are recorded as liabilities. Because the amounts of these indemnification obligations often are not explicitly stated, the overall maximum amount of these commitments cannot be reasonably estimated. Other than obligations recorded as liabilities at the time of divestiture, the Company has historically not made material payments as a result of these indemnification provisions.

Warranties

In the normal course of business, the Company provides certain warranties and indemnification protection for its products and services. For example, the Company provides warranties that the pharmaceutical and medical-surgical products it distributes are in compliance with the U.S. Food, Drug, and Cosmetic Act and other applicable laws and regulations. It has received the same warranties from its suppliers, which customarily are the manufacturers of the products. In addition, the Company has indemnity obligations to its customers for these products, which have also been provided from its suppliers, either through express agreement or by operation of law. Accrued warranty costs were not material to the Consolidated Balance Sheets as of March 31, 2024 and 2023.

17. Commitments and Contingent Liabilities

In addition to commitments and obligations incurred in the ordinary course of business, the Company is subject to a variety of claims and legal proceedings, including claims from customers and vendors, pending and potential legal actions for damages, governmental investigations, and other matters. The Company is vigorously defending itself against those claims and in those proceedings. Significant developments in those matters are described below. If the Company is unsuccessful in defending, or if it determines to settle, any of these matters, it may be required to pay substantial sums, be subject to injunction and/or be forced to change how it operates its business, which could have a material adverse impact on its financial position or results of operations.

Unless otherwise stated, the Company is unable to reasonably estimate the loss or a range of possible loss for the matters described below. Often, the Company is unable to determine that a loss is probable, or to reasonably estimate the amount of loss or a range of loss, for a claim because of the limited information available and the potential effects of future events and decisions by third parties, such as courts and regulators, that will determine the ultimate resolution of the claim. Many of the matters described are at preliminary stages, raise novel theories of liability, or seek an indeterminate amount of damages. It is not uncommon for claims to remain unresolved over many years. The Company reviews loss contingencies at least quarterly to determine whether the likelihood of loss has changed and whether it can make a reasonable estimate of the loss or range of loss. When the Company determines that a loss from a claim is probable and reasonably estimable, it records a liability for an estimated amount. The Company also provides disclosure when it is reasonably possible that a loss may be incurred or when it is reasonably possible that the amount of a loss will exceed its recorded liability. Amounts included within “Claims and litigation charges, net” in the Consolidated Statements of Operations consist of estimated loss contingencies related to opioid-related litigation matters, as well as any applicable income items or credit adjustments due to subsequent changes in estimates.

I. Litigation and Claims Involving Distribution of Controlled Substances

The Company and its affiliates have been sued as defendants in many cases asserting claims related to distribution of controlled substances. They have been named as defendants along with other pharmaceutical wholesale distributors, pharmaceutical manufacturers, and retail pharmacies. The plaintiffs in these actions have included state attorneys general, county and municipal governments, school districts, tribal nations, hospitals, health and welfare funds, third-party payors, and individuals. These actions have been filed in state and federal courts throughout the U.S., and in Puerto Rico and Canada. They have sought monetary damages and other forms of relief based on a variety of causes of action, including negligence, public nuisance, unjust enrichment, and civil conspiracy, as well as alleging violations of the Racketeer Influenced and Corrupt Organizations Act (“RICO”), state and federal controlled substances laws, and other statutes. Because of the many uncertainties associated with opioid-related litigation matters, the Company is not able to conclude that a liability is probable or provide a reasonable estimate for the range of ultimate possible loss for opioid-related litigation matters other than those for which an accrual is described below.

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

State and Local Government Claims

The Company and two other national pharmaceutical distributors (collectively "Distributors") entered into a settlement agreement (the "Settlement") and consent judgment with 48 states and their participating subdivisions, as well as the District of Columbia and all eligible territories (the "Settling Governmental Entities"). Approximately 2,300 cases have been dismissed. The Distributors did not admit liability or wrongdoing and do not waive any defenses pursuant to the Settlement. Under the Settlement, the Company has paid the Settling Governmental Entities approximately $1.5 billion as of March 31, 2024, and additionally will pay the Settling Governmental Entities up to approximately $6.3 billion through 2038. A minimum of 85% of the Settlement payments must be used by state and local governmental entities to remediate the opioid epidemic, while the remainder relates to plaintiffs' attorneys' fees and costs and will be paid out through 2030. Pursuant to the Settlement, the Distributors are in the process of establishing a clearinghouse to consolidate their controlled-substance distribution data, which will be available to the settling U.S. states to use as part of their anti-diversion efforts.

Alabama and West Virginia did not participate in the Settlement. Under a separate settlement agreement with Alabama and its subdivisions, the Company has paid approximately $61 million as of March 31, 2024, and additionally will pay approximately $113 million through 2031. The Company previously settled with the state of West Virginia in 2018, so West Virginia and its subdivisions were not eligible to participate in the Settlement. Under a separate settlement agreement, the Company has paid certain West Virginia subdivisions approximately $53 million as of March 31, 2024, and additionally will pay approximately $99 million through 2033. That agreement does not include school districts or the claims of Cabell County and the City of Huntington. After a trial, the claims of Cabell County and the City of Huntington, were decided in the Company's favor on July 4, 2022. Those subdivisions appealed that decision.

Some other state and local governmental subdivisions did not participate in the Settlement, including certain municipal governments, government hospitals, school districts, and government-affiliated third-party payors. The Company contends that those subdivisions' claims are foreclosed by the Settlement or other dispositive defenses, but the subdivisions contend that their claims are not foreclosed. The City of Baltimore, Maryland, is one such subdivision, and a trial of its claims is scheduled to begin September 26, 2024. The district attorneys of the City of Philadelphia, Pennsylvania, and Allegheny County, Pennsylvania did not participate in the settlement and sought to bring separate claims against the Company, notwithstanding the settlement with the state of Pennsylvania and its attorney general. On January 26, 2024, the Commonwealth Court of Pennsylvania ruled that the Pennsylvania attorney general had settled and fully released the claims brought by those district attorneys under Pennsylvania's Unfair Trade Practices and Consumer Protection Law. The district attorneys have appealed that decision to the Supreme Court of Pennsylvania. An accrual for the remaining governmental subdivision claims is reflected in the total estimated liability for opioid-related claims in a manner consistent with how Settlement amounts were allocated to Settling Governmental Entities.

Native American Tribe Claims

The Company also entered into settlement agreements for opioid-related claims of federally recognized Native American tribes. Under those agreements, the Company has paid the settling Native American tribes approximately $84 million as of March 31, 2024, and additionally will pay approximately $112 million through 2027. A minimum of 85% of the total settlement payments must be used by the settling Native American tribes to remediate the opioid epidemic.

Non-Governmental Plaintiff Claims

The Company is also a defendant in approximately 400 opioid-related cases brought in the U.S. by private plaintiffs, such as hospitals, health and welfare funds, third-party payors, and individuals. These claims, and those of private entities generally, are not included in the settlement agreements described above.

One such case was brought by a group of individual plaintiffs in Glynn County, Georgia Superior Court seeking to recover for damages allegedly arising from their family members' abuse of prescription opioids. *Poppell v. Cardinal Health, Inc.,* CE19-00472. On March 1, 2023, the jury in that case returned a verdict in favor of the defendants, including the Company. Plaintiffs have appealed.

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

The Company and two other national distributors are engaged in ongoing settlement discussions with representatives of nationwide groups of acute care hospitals and certain third-party payors. For the year ended March 31, 2024, the Company recorded a charge of $ 149 million within "Claims and litigation charges, net" in the Consolidated Statement of Operations to reflect its portion of a proposed settlement with a nationwide class of acute care hospitals, and the corresponding liability was included within "Other accrued liabilities" in the Consolidated Balance Sheet. The mediator proposed settlement is subject to, among other things, agreement on final settlement terms, Board approval, court approval, and sufficient participation by hospitals. The trial for one of those acute care hospital cases, *Fort Payne Hospital Corporation et al. v. McKesson Corp.,* CV-2021-900016, has been stayed as to the Company. With respect to the third party payors, the Company has been engaged in settlement discussions with representatives of a nationwide group of certain third-party payors. Those negotiations include a proposal by the mediator for the Company to pay up to $ 114 million to resolve the claims of a nationwide class of certain third-party payors. Because of the many uncertainties, including the need to negotiate non-financial settlement terms, the Company has not determined a liability is probable. The claims of remaining U.S. non-governmental plaintiffs are not included in the charge recorded by the Company.

The Company's estimated accrued liability for the opioid-related claims of U.S. governmental entities, including Native American tribes, and certain non-governmental plaintiffs, including a proposed settlement with a nationwide class of acute care hospitals, was as follows:

(In millions)	March 31, 2024	March 31, 2023
Current litigation liabilities [1]	$ 665	$ 548
Long-term litigation liabilities	6,113	6,625
Total litigation liabilities	$ 6,778	$ 7,173

(1) These amounts, recorded in "Other accrued liabilities" in the Consolidated Balance Sheets, are the amounts estimated to be paid within the next twelve months following each respective period end date.

During the year ended March 31, 2024, 2023, and 2022, the Company made payments totaling $ 544 million, $ 1.1 billion, and $ 74 million, respectively, associated with the Settlement and the separate settlement agreements for opioid-related claims of participating states, subdivisions, and Native American tribes discussed above.

Canadian Plaintiff Claims

The Company and its Canadian affiliate are also defendants in four opioid-related cases pending in Canada. These cases involve the claims of the provincial governments, municipal governments, a group representing indigenous people, as well as one case brought by an individual.

Defense of Opioids Claims

The Company believes it has valid legal defenses in all opioid-related matters, including claims not covered by settlement agreements, and it intends to mount a vigorous defense in such matters. Other than the settlement agreements and the U.S. governmental subdivision claims described above, the Company has not concluded a loss is probable in any of the matters; nor is any possible loss or range of loss reasonably estimable. An adverse judgment or negotiated resolution in any of these matters could have a material adverse impact on the Company's financial position, cash flows or liquidity, or results of operations.

Qui Tam Litigation

On August 8, 2018, the Company was served with a *qui tam* complaint pending in the United States District Court for the District of Massachusetts alleging that the Company violated the federal False Claims Act and various state false claims acts due to the alleged failure of the Company and other defendants to report providers who were engaged in diversion of controlled substances. *United States ex rel. Manchester v. Purdue Pharma, L.P., et al.* , Case No. 1-16-cv-10947. On August 22, 2018, the United States filed a motion to dismiss. The relator died, and on February 25, 2019 the court entered an order staying the matter until a proper party can be substituted, and providing that if no party is substituted within 90 days of February 25, 2019, the case would be dismissed. In April 2019, the widow of the relator filed a motion to substitute their daughter as the relator; the United States and defendants opposed this substitution request. The motion remains pending and the case remains stayed.

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

II. Other Litigation and Claims

On June 17, 2014, U.S. Oncology Specialty, LP ("USOS") was served with a fifth amended *qui tam* complaint filed in the United States District Court for the Eastern District of New York by a relator alleging that USOS, among others, solicited and received illegal "kickbacks" from Amgen in violation of the Anti-Kickback Statute, the federal False Claims Act, and various state false claims statutes, and seeking damages, treble damages, civil penalties, attorneys' fees and costs of suit, all in unspecified amounts, *United States ex rel. Hanks v. Amgen, Inc., et al.* , CV-08-03096 (SJ). Previously, the United States declined to intervene in the case as to all allegations and defendants except for Amgen. On September 17, 2018, the court granted USOS's motion to dismiss. Following the relator's appeal, the United States Court of Appeals for the Second Circuit vacated the district court's order and remanded the suit to the district court, directing it to consider the question of whether the suit should be dismissed for lack of jurisdiction. The district court granted the relator leave to amend the complaint for a seventh time. The relator filed the seventh amended complaint on November 30, 2020.

On or about April 25, 2018, a second amended *qui tam* complaint filed in the U.S. District Court for the Eastern District of New York was served on McKesson Corporation, McKesson Specialty Care Distribution Corporation, McKesson Specialty Distribution LLC, McKesson Specialty Care Distribution Joint Venture, L.P., Oncology Therapeutics Network Corporation, Oncology Therapeutics Network Joint Venture, L.P., US Oncology, Inc., and US Oncology Specialty, L.P. by Omni Healthcare, Inc. as relator, purportedly on behalf of the United States and 33 cities and states alleging that from 2001 through 2010 the defendants repackaged and sold single-dose syringes of oncology medications in a manner that violated the federal False Claims Act and various state and local false claims statutes, and seeking damages, treble damages, civil penalties, attorneys' fees and costs of suit, all in unspecified amounts. *United States of America ex rel. Omni Healthcare, Inc. v. McKesson Corp., et al.* , 1:12-cv-06440 (E.D.N.Y.). The United States and the other governmental plaintiffs declined to intervene in the suit. In February 2019, the court dismissed all of the defendants except McKesson Corporation and Oncology Therapeutics Network Corp. On or about March 2, 2020, another *qui tam* complaint filed in the U.S. District Court for the Eastern District of New York was served on US Oncology, Inc. by the same relator purportedly on behalf of the United States and 33 cities and states alleging the same misconduct and seeking the same relief. *United States ex rel. Omni Healthcare, Inc. v. US Oncology, Inc.* , 1:19-cv-05125. The United States and the named states declined to intervene in the case. Relator filed an amended complaint on August 19, 2022. On September 8, 2023, US Oncology, Inc.'s motion to dismiss the amended complaint was granted. Relator has appealed to the U.S. Court of Appeals for the Second Circuit.

On December 30, 2019, a group of independent pharmacies and a hospital filed a purported class action complaint alleging that the Company and other distributors violated the Sherman Act by colluding with manufacturers to restrain trade in the sale of generic drugs. *Reliable Pharmacy, et al. v. Actavis Holdco US, et al*., No. 2:19-cv-6044; MDL No. 16-MD-2724. The complaint seeks relief including treble damages, disgorgement, attorney fees, and costs in unspecified amounts. On May 25, 2022, the district court granted distributor defendants' motion to dismiss the complaint, but granted the plaintiffs leave to amend the complaint. Plaintiffs filed an amended complaint on July 1, 2022.

In July 2015, The Great Atlantic & Pacific Tea Company ("A&P"), a former customer of the Company, filed for reorganization in bankruptcy under Chapter 11 of the United States Bankruptcy Code in the Bankruptcy Court for the Southern District of New York. *In re The Great Atlantic & Pacific Tea Company, Inc., et al.*, Case No. 15-23007. A suit filed in 2017 against the Company in this bankruptcy case seeks to recover alleged preferential transfers. *The Official Committee of Unsecured Creditors on behalf of the bankruptcy estate of The Great Atlantic & Pacific Tea Company, Inc., et al. v. McKesson Corporation d/b/a McKesson Drug Co.*, Adv. Proc. No. 17-08264. Trial is scheduled to begin July 12, 2024.

In July 2020, the Company was served with a first amended *qui tam* complaint filed in the United States District Court for the Southern District of New York by a relator on behalf of the United States, 27 states and the District of Columbia against McKesson Corporation, McKesson Specialty Distribution LLC, and McKesson Specialty Care Distribution Corporation, alleging that defendants violated the Anti-Kickback Statute, federal False Claims Act, and various state false claims statutes by providing certain business analytical tools to oncology practice customers, *United States ex rel. Hart v. McKesson Corporation, et al.*, 15-cv-00903-RA. The United States and the named states have declined to intervene in the case. The complaint seeks relief including damages, treble damages, civil penalties, attorney fees, and costs of suit, all in unspecified amounts. The relator filed the second amended complaint on June 7, 2022, which was dismissed by the district court on March 28, 2023. On March 12, 2024, the U.S. Court of Appeals for the Second Circuit affirmed the dismissal of claims under the Anti-Kickback Statute and federal False Claims Act, vacated the dismissal of the remaining claims, and remanded for further proceedings.

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

III. Government Subpoenas and Investigations

From time to time, the Company receives subpoenas or requests for information from various government agencies. The Company generally responds to such subpoenas and requests in a cooperative, thorough, and timely manner. These responses sometimes require time and effort and can result in considerable costs being incurred by the Company. Such subpoenas and requests can lead to the assertion of claims or the commencement of civil or criminal legal proceedings against the Company and other members of the health care industry, as well as to settlements of claims against the Company. The Company responds to these requests in the ordinary course of business. The following are examples of the type of subpoenas or requests the Company receives from time to time.

In January 2020, the United States Attorney's Office for the District of Massachusetts served a Civil Investigative Demand on the Company seeking documents related to certain discounts and rebates paid to physician practice customers.

On May 19, 2021, the Norwegian Competition Authority carried out an inspection of Norsk Medisinaldepot AS regarding its and its competitors alleged sharing of competitively sensitive information.

IV. State Opioid Statutes

In April 2018, the State of New York Opioid Stewardship Act ("OSA") imposed an aggregate $ 100 million annual surcharge for 2017 and 2018 on all manufacturers and distributors licensed to sell or distribute opioids in New York. In December 2021, the Company paid $ 26 million for the 2017 OSA surcharge assessment. On May 18, 2022, the Company filed a lawsuit in New York state court challenging the constitutionality of the OSA. In November 2022, the Company received a 2018 OSA surcharge assessment of approximately $ 42 million. On December 14, 2022, the state court ruled that the OSA is constitutional. The Company has paid $ 42 million for the 2018 OSA surcharge assessment. The Company's OSA challenge is pending before the New York Supreme Court Appellate Division. The Company reserves its rights and intends to vigorously challenge the OSA and the OSA surcharge assessments.

V. Environmental Matters

Primarily as a result of the operation of the Company's former chemical businesses, which were fully divested by 1987, the Company is involved in various matters pursuant to environmental laws and regulations. The Company has received claims and demands from governmental agencies relating to investigative and remedial actions purportedly required to address environmental conditions alleged to exist at four sites where it, or entities acquired by it, formerly conducted operations and the Company, by administrative order or otherwise, has agreed to take certain actions at those sites, including soil and groundwater remediation.

Based on a determination by the Company's environmental staff, in consultation with outside environmental specialists and counsel, the current estimate of the Company's probable loss associated with the remediation costs for these four sites is $ 26 million, net of amounts anticipated from third parties. The $ 26 million is expected to be paid out between April 2024 and March 2054. The Company has accrued $ 26 million for the estimated probable loss for these environmental matters in its Consolidated Balance Sheet as of March 31, 2024.

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

The Company has been designated as a Potentially Responsible Party ("PRP") under the Superfund law for environmental assessment and cleanup costs as the result of its alleged disposal of hazardous substances at 14 sites. With respect to these sites, numerous other PRPs have similarly been designated and while the current state of the law potentially imposes joint and several liabilities upon PRPs, as a practical matter, costs of these sites are typically shared with other PRPs. For one such site, the Company was one of multiple recipients of a New Jersey Department of Environmental Protection directive and a separate U.S. Environmental Protection Agency ("EPA") directive concerning natural resources damages to the Passaic River associated with the Company's Newark, New Jersey facility. In March 2016, the EPA selected a preferred remedy for this Lower Passaic River site with an estimated cost of approximately $ 1.4 billion. In December 2022, the Company entered into a Consent Decree with the EPA that is currently pending approval by the U.S. District Court for the District of New Jersey and would require the Company to pay $ 3 million, for which the Company maintained an escrow deposit as of March 31, 2024. Accordingly, the Company's estimated probable loss at the remaining 13 sites is approximately $ 29 million, which has been accrued for in the Consolidated Balance Sheet as of March 31, 2024.

VI. Value Added Tax Assessments

The Company operates in various countries outside the U.S. which collect value added taxes ("VAT"). The determination of the manner in which a VAT applies to the Company's foreign operations is subject to varying interpretations arising from the complex nature of the tax laws. The Company has received assessments for VAT which are in various stages of appeal. The Company disagrees with these assessments and believes that it has a strong legal argument to defend its tax positions. Certain VAT assessments relate to years covered by an indemnification agreement. Due to the complex nature of the tax laws, it is not possible to estimate the outcome of these matters. However, based on currently available information, the Company believes the ultimate outcome of these matters will not have a material adverse effect on its financial position, cash flows or results of operations.

VII. Antitrust Settlements

Numerous lawsuits have been filed against certain pharmaceutical manufacturers alleging that the manufacturer, by itself or in concert with others, took improper actions to delay or prevent generic drugs from entering the market. These lawsuits are sometimes brought as class actions on behalf of those who purchased directly from pharmaceutical manufacturers. Some of these lawsuits have settled in the past with the Company receiving proceeds, including $ 244 million, $ 129 million, and $ 46 million in fiscal 2024, fiscal 2023, and fiscal 2022, respectively, which were included in "Cost of sales" in the Consolidated Statements of Operations.

VIII. Other Matters

The Company is involved in various other litigation, governmental proceedings, and claims, not described above, that arise in the normal course of business. While it is not possible to determine the ultimate outcome or the duration of such litigation, governmental proceedings, or claims, the Company believes, based on current knowledge and the advice of counsel, that such litigation, proceedings, and claims will not have a material impact on the Company's financial position or results of operations.

18. Stockholders' Equity (Deficit)

Each share of the Company's outstanding common stock is permitted one vote on proposals presented to stockholders and is entitled to participate equally in any dividends declared by the Board.

In July 2023, the Company's quarterly dividend was raised from $ 0.54 to $ 0.62 per share of common stock for dividends declared on or after such date by the Board. The Company declared regular cash dividends of $ 2.40 , $ 2.09 , and $ 1.83 per share for the years ended March 31, 2024, 2023, and 2022, respectively. The Company anticipates that it will continue to pay quarterly cash dividends in the future. However, the payment and amount of future dividends remain within the discretion of the Board and will depend upon the Company's future earnings, financial condition, capital requirements, legal requirements, and other factors.

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

Share Repurchase Plans

The Board has authorized the repurchase of common stock. The Company may affect stock repurchases from time-to-time through open market transactions, privately negotiated transactions, accelerated share repurchase ("ASR") programs, or by combinations of such methods, any of which may use pre-arranged trading plans that are designed to meet the requirements of Rule 10b5-1(c) of the Securities Exchange Act of 1934. The timing of any repurchases and the actual number of shares repurchased will depend on a variety of factors, including the Company's stock price, corporate and regulatory requirements, tax implications, restrictions under the Company's debt obligations, other uses for capital, impacts on the value of remaining shares, cash generated from operations, and market and economic conditions. During the last three fiscal years, the Company's share repurchases were transacted through both open market transactions and ASR programs with third-party financial institutions. The ASR programs discussed below were designed to comply with Rule 10b5-1(c).

Effective January 1, 2023, the Company's repurchase of common stock, adjusted for allowable items, are subject to a 1% excise tax as a result of the IRA. Excise taxes incurred on share repurchases of an entity's own common stock are direct and incremental costs to purchase treasury stock, and accordingly are included in the total cost basis of the common stock acquired and reflected as a reduction of stockholders' equity within "Treasury shares" in the Company's Consolidated Balance Sheets and Consolidated Statements of Stockholders' Equity (Deficit). Excise taxes do not reduce the Company's remaining authorization for the repurchase of common stock. Excise taxes of $ 25 million were incurred for the year ended March 31, 2024 and accrued within "Other accrued liabilities" in the Company's Consolidated Balance Sheet for shares repurchased during fiscal 2024. The Company did not incur excise taxes during the year ended March 31, 2023.

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

Information regarding share repurchase activity over the last three fiscal years were as follows:

	Share Repurchases [1]		
(In millions, except price per share)	Total Number of Shares Purchased [2]	Average Price Paid Per Share	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Programs [3]
Balance, March 31, 2021			$ 2,785
Shares repurchased - May 2021 ASR	5.2	$ 193.22	(1,000)
Shares repurchased - Open market	4.6	$ 217.73	(1,007)
Share repurchase authorization increase in fiscal 2022			4,000
Shares repurchased - February 2022 ASR [4]	4.8	$ 265.56	(1,500)
Balance, March 31, 2022			3,278
Shares repurchased - February 2022 ASR [4]	0.3	$ 295.16	—
Shares repurchased - May 2022 ASR	3.1	$ 321.05	(1,000)
Share repurchase authorization increase in fiscal 2023			4,000
Shares repurchased - December 2022 ASR	2.6	$ 369.20	(972)
Shares repurchased - Open market [5]	4.7	$ 363.24	(1,693)
Balance, March 31, 2023			3,613
Share repurchase authorization increase in fiscal 2024			6,000
Shares repurchased - Open market	6.9	$ 436.46	(2,998)
Balance, March 31, 2024			$ 6,615

(1) This table does not include the value of equity awards surrendered to satisfy tax withholding obligations or forfeitures of equity awards.

(2) The number of shares purchased reflects rounding adjustments.

(3) The remaining authorization outstanding for repurchases of common stock excludes $ 25 million of excise taxes incurred on share repurchases for the year ended March 31, 2024.

(4) In February 2022, the Company entered into an ASR program with a third-party financial institution to repurchase $ 1.5 billion shares of common stock. The total number of shares repurchased under this ASR program was 5.1 million shares at an average price per share of $ 295.16 . The Company received 4.8 million shares as the initial share settlement in the fourth quarter of fiscal 2022, and in May 2022, the Company received an additional 0.3 million shares upon the completion of this ASR program.

(5) Of the total dollar value, $ 27 million was accrued within “Other accrued liabilities” in the Company’s Consolidated Balance Sheet as of March 31, 2023 for share repurchases that were executed in late March 2023 and settled in early April 2023.

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

Accumulated Other Comprehensive Loss

Information regarding changes in the Company's accumulated other comprehensive loss by component were as follows:

(In millions)	Foreign Currency Translation Adjustments				
	Foreign Currency Translation Adjustments, Net of Tax [1]	Unrealized Gains (Losses) on Net Investment Hedges, Net of Tax [2]	Unrealized Gains (Losses) on Cash Flow and Other Hedges, Net of Tax [3]	Unrealized Gains (Losses) and Other Components of Benefit Plans, Net of Tax	Total Accumulated Other Comprehensive Loss
Balance, March 31, 2021	$ (1,361)	$ (36)	$ 13	$ (96)	$ (1,480)
Other comprehensive income (loss) before reclassifications	(51)	41	18	31	39
Amounts reclassified to earnings and other [4]	71	(1)	(4)	10	76
Other comprehensive income	20	40	14	41	115
Less: amounts attributable to noncontrolling and redeemable noncontrolling interests	5	(6)	—	—	(1)
Other comprehensive income attributable to McKesson	15	46	14	41	116
Exercise of put right by noncontrolling shareholders of McKesson Europe AG	(158)	—	—	(12)	(170)
Balance, March 31, 2022	(1,504)	10	27	(67)	(1,534)
Other comprehensive income (loss) before reclassifications	(329)	112	10	28	(179)
Amounts reclassified to earnings and other [5]	1,027	(136)	(73)	34	852
Other comprehensive income (loss)	698	(24)	(63)	62	673
Less: amounts attributable to noncontrolling interests	41	—	—	3	44
Other comprehensive income (loss) attributable to McKesson	657	(24)	(63)	59	629
Balance, March 31, 2023	(847)	(14)	(36)	(8)	(905)
Other comprehensive income (loss) before reclassifications	(9)	2	39	(6)	26
Amounts reclassified to earnings and other	—	—	—	(2)	(2)
Other comprehensive income (loss)	(9)	2	39	(8)	24
Less: amounts attributable to noncontrolling interests	—	—	—	—	—
Other comprehensive income (loss) attributable to McKesson	(9)	2	39	(8)	24
Balance, March 31, 2024	$ (856)	$ (12)	$ 3	$ (16)	$ (881)

(1) Primarily results from the conversion of non-U.S. dollar financial statements of the Company's operations in Canada and Europe into the Company's reporting currency, U.S. dollars.

(2) Amounts before reclassifications recorded in fiscal 2023 and fiscal 2022 include gains of $ 7 million and $ 73 million, respectively, related to net investment hedges from Euro-denominated notes. Amounts before reclassifications recorded in fiscal 2024, fiscal 2023, and fiscal 2022 include gains (losses) of $ 3 million, $ 28 million, and $(4) million, respectively, related to net investment hedges from cross-currency swaps. These amounts are net of income tax expense of $ 1 million, $ 33 million, and $ 23 million in fiscal 2024, fiscal 2023, and fiscal 2022, respectively.

(3) Amounts before reclassifications recorded in fiscal 2024, fiscal 2023, and fiscal 2022 include gains (losses) of $ 39 million, $(54) million, and $(18) million, respectively, related to cash flow and other hedges from cross-currency swaps, and gains (losses) of $ 14 million, $(30) million, and $ 39 million, respectively, related to cash flow hedges from fixed interest rate swaps. These amounts are net of income tax benefit (expense) of $(14) million, $ 21 million, and $(7) million in fiscal 2024, fiscal 2023, and fiscal 2022, respectively.

(4) Primarily includes adjustments for amounts related to the sale of the Company's Austrian business, as discussed in more detail in Financial Note 2, "Business Acquisitions and Divestitures." These amounts were included in the fiscal 2022 calculation of charges to remeasure the assets and liabilities held for sale to fair value less costs to sell recorded within "Selling, distribution, general, and administrative expenses" in the Consolidated Statement of Operations.

(5) Primarily includes adjustments for amounts related to the divestitures of the E.U. disposal group in October 2022, including the impact of amounts previously attributed to the noncontrolling interest in McKesson Europe, and the U.K. disposal group in April 2022, as discussed in more detail in Financial Note 2, "Business Acquisitions and Divestitures." These amounts were included in the fiscal 2023 and fiscal 2022 calculations of charges to remeasure the assets and liabilities of the disposal groups to fair value less costs to sell recorded within "Selling, distribution, general, and administrative expenses" in the Consolidated Statements of Operations. Amounts reclassified to earnings and other includes a net income tax impact of $ 6 million.

19. Related Party Balances and Transactions

McKesson Europe had investments in pharmacies located across Europe that were accounted for under the equity method. McKesson Europe maintained distribution arrangements with these pharmacies for the sale of related goods and services under which revenues of $ 137 million are included in the Consolidated Statement of Operations for the year ended March 31, 2022. Predominately all of these pharmacies were divested from the Company in the fourth quarter of fiscal 2022 as part of the completed divestiture of the Company's Austrian business, and in fiscal 2023 as part of the completed divestitures of the E.U. disposal group and U.K. disposal group. Refer to Financial Note 2, "Business Acquisitions and Divestitures," for additional information on the Company's European divestiture activities.

For the year ended March 31, 2022, the Company's pharmaceutical sales to one of its equity method investees in the U.S. Pharmaceutical segment totaled $ 100 million. During fiscal 2022, the Company's investment in this investee was no longer accounted for using the equity method and subsequently not considered a related party.

20. Segments of Business

The Company reports its financial results in four reportable segments: U.S. Pharmaceutical, RxTS, Medical-Surgical Solutions, and International. The organizational structure also includes Corporate, which consists of income and expenses associated with administrative functions and projects, and the results of certain investments. The factors for determining the reportable segments include the manner in which management evaluates the performance of the Company combined with the nature of the individual business activities. The Company evaluates the performance of its operating segments on a number of measures, including revenues and operating profit (loss) before interest expense and income taxes. Assets by operating segment are not reviewed by management for the purpose of assessing performance or allocating resources.

The U.S. Pharmaceutical segment distributes branded, generic, specialty, biosimilar and over-the-counter pharmaceutical drugs, and other healthcare-related products in the U.S. This segment also provides practice management, technology, clinical support, and business solutions to community-based oncology and other specialty practices. In addition, the segment sells financial, operational, and clinical solutions to pharmacies (retail, hospital, alternate sites) and provides consulting, outsourcing, technological, and other services.

The RxTS segment helps solve medication access, affordability, and adherence challenges for patients by working across healthcare to connect patients, pharmacies, providers, pharmacy benefit managers, health plans, and biopharma companies. RxTS serves our biopharma and life sciences partners, delivering innovative solutions that help people get the medicine they need to live healthier lives. RxTS also offers prescription price transparency, benefit insight, dispensing support services, third-party logistics, and wholesale distribution support across various therapeutic categories and temperature ranges to biopharma customers throughout the product lifecycle.

The Medical-Surgical Solutions segment provides medical-surgical supply distribution, logistics, and other services to healthcare providers, including physician offices, surgery centers, nursing homes, hospital reference labs, and home health care agencies. This segment offers national brand medical-surgical products as well as McKesson's own line of high-quality products through a network of distribution centers in the U.S.

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

The International segment includes the Company's operations in Canada and Europe, bringing together non-U.S.-based drug distribution services, specialty pharmacy, retail, and infusion care services. The Company's Canadian operations deliver medicines, supplies, and information technology solutions throughout Canada and includes Rexall Health retail pharmacies. The Company completed the divestitures of its Austrian business in January 2022, the U.K. disposal group in April 2022, and the E.U. disposal group in October 2022. Refer to Financial Note 2, "Business Acquisitions and Divestitures," for more information. The Company's remaining operations in Europe provide distribution and services to wholesale and retail customers in Norway where it owns, partners, or franchises with retail pharmacies.

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

Financial information relating to the Company's reportable operating segments and reconciliations to the consolidated totals was as follows:

(In millions)	Years Ended March 31, 2024	2023	2022
Segment revenues [1]			
U.S. Pharmaceutical	$ 278,739	$ 240,616	$ 212,149
Prescription Technology Solutions	4,769	4,387	3,864
Medical-Surgical Solutions	11,313	11,110	11,608
International	14,130	20,598	36,345
Total revenues	$ 308,951	$ 276,711	$ 263,966
Segment operating profit (loss) [2]			
U.S. Pharmaceutical [3]	$ 2,786	$ 3,206	$ 2,879
Prescription Technology Solutions [4]	835	566	500
Medical-Surgical Solutions [5]	952	1,117	959
International [6]	319	136	(968)
Subtotal	4,892	5,025	3,370
Corporate expenses, net [7]	(851)	(147)	(1,073)
Loss on debt extinguishment [8]	—	—	(191)
Interest expense	(252)	(248)	(178)
Income from continuing operations before income taxes	$ 3,789	$ 4,630	$ 1,928
Segment depreciation and amortization [9]			
U.S. Pharmaceutical	$ 229	$ 212	$ 228
Prescription Technology Solutions	84	77	82
Medical-Surgical Solutions	84	80	129
International	117	115	204
Corporate	121	124	117
Total depreciation and amortization	$ 635	$ 608	$ 760
Segment expenditures for long-lived assets [10]			
U.S. Pharmaceutical	$ 193	$ 154	$ 137
Prescription Technology Solutions	31	35	10
Medical-Surgical Solutions	159	117	74
International	75	79	177
Corporate	229	173	137
Total expenditures for long-lived assets	$ 687	$ 558	$ 535

(1) Revenues from services on a disaggregated basis represent approximately 1 % of the U.S. Pharmaceutical segment's total revenues, less than 39 % of the RxTS segment's total revenues, less than 3 % of the Medical-Surgical Solutions segment's total revenues, and less than 8 % of the International segment's total revenues. The International segment reflects foreign revenues. Revenues for the remaining three reportable segments are domestic.

(2) Segment operating profit (loss) includes gross profit, net of total operating expenses, as well as other income (expense), net, for the Company's reportable segments.

(3) The Company's U.S. Pharmaceutical segment's operating profit includes the following:

- a provision for bad debts of $ 725 million for the year ended March 31, 2024 related to the bankruptcy of the Company's customer Rite Aid, as further discussed in Financial Note 1, "Significant Accounting Policies;"
- cash receipts for the Company's share of antitrust legal settlements were $ 244 million, $ 129 million, and $ 46 million for the years ended March 31, 2024, 2023, 2022, respectively;

McKESSON CORPORATION

FINANCIAL NOTES (Continued)

- a credit of $ 157 million, a charge of $ 1 million, and a credit of $ 23 million for the years ended March 31, 2024, 2023, and 2022, respectively, related to the LIFO method of accounting for inventories;
- a charge of $ 74 million in fiscal 2024 related to the estimated liability for opioid-related claims, as discussed in more detail in Financial Note 17, “Commitments and Contingent Liabilities;"
- a gain of $ 142 million for the year ended March 31, 2023 related to the exit of one of the Company’s investments in equity securities in July 2022 for proceeds of $ 179 million, which is reflected within “Other income, net” in the Company’s Consolidated Statement of Operations; and
- a charge of $ 18 million for fiscal 2023 recorded in connection with the Company’s estimated liability under the State of New York’s OSA, as further discussed in Financial Note 17, “Commitments and Contingent Liabilities.”

(4) The Company’s RxTS segment’s operating profit includes the following:

- fair value adjustment gains of $ 78 million in fiscal 2024, which reduced the Company’s contingent consideration liability related to the RxSS acquisition, as discussed in more detail in Financial Note 2, “Business Acquisitions and Divestitures;” and
- restructuring charges of $ 43 million in fiscal 2023 primarily for severance and employee-related costs, as well as asset impairments and accelerated depreciation. Refer to Financial Note 3, “Restructuring, Impairment, and Related Charges, Net” for further information.

(5) The Company’s Medical-Surgical Solutions segment’s operating profit for fiscal 2022 includes inventory charges of $ 164 million primarily related to certain personal protective equipment and other related products.

(6) The Company’s International segment’s operating profit (loss) includes the following:

- charges of $ 240 million and $ 383 million for the years ended March 31, 2023 and 2022, respectively, to remeasure the assets and liabilities of the E.U. disposal group to fair value less costs to sell and, in fiscal 2022, to impair certain assets, including internal-use software that will not be utilized in the future, as discussed in more detail in Financial Note 2, “Business Acquisitions and Divestitures;”
- a charge of $ 1.1 billion for the year ended March 31, 2022 to remeasure the assets and liabilities of the U.K. disposal group to fair value less costs to sell, as discussed in more detail in Financial Note 2, “Business Acquisitions and Divestitures;”
- a gain of $ 59 million for the year ended March 31, 2022 related to the sale of the Company’s Canadian health benefit claims management and plan administrative services business; and
- a gain of $ 42 million for the year ended March 31, 2022 related to the sale of the Company’s previously held 30 % interest in its German pharmaceutical wholesale joint venture to WBA.

(7) Corporate expenses, net, includes the following:

- a net charge of $ 73 million in fiscal 2024, a credit of $ 8 million in fiscal 2023, and a charge of $ 274 million in fiscal 2022 related to the estimated liability for opioid-related claims, as discussed in more detail in Financial Note 17, “Commitments and Contingent Liabilities;"
- charges of $ 55 million, $ 83 million, and $ 100 million for the years ended March 31, 2024, 2023, and 2022, respectively, for restructuring initiatives as discussed in more detail in Financial Note 3, “Restructuring, Impairment, and Related Charges, Net;”
- charges of $ 35 million, $ 36 million, and $ 130 million for the years ended March 31, 2024, 2023, and 2022, respectively, for opioid-related costs, primarily litigation expenses;
- net losses of $ 24 million and $ 36 million for the years ended March 31, 2024 and 2023, respectively, and a net gain of $ 98 million for the year ended March 31, 2022, associated with certain of the Company’s equity investments, as discussed in more detail in Financial Note 15, “Fair Value Measurements;”
- a gain of $ 306 million in fiscal 2023 and a charge of $ 55 million in fiscal 2022 primarily related to the effect of accumulated other comprehensive loss components from the E.U. disposal group, as discussed in more detail in Financial Note 2, “Business Acquisitions and Divestitures;”
- a gain of $ 126 million in fiscal 2023 related to a cash payment received for the early termination of a TRA exercised by Change in October 2022 and was recorded within “Other income, net” in the Consolidated Statement of Operations, as discussed in more detail in Financial Note 5, “Other Income, Net;”
- a gain of $ 97 million in fiscal 2023 from the termination of certain forward starting fixed interest rate swaps, as discussed in more detail in Financial Note 14, “Hedging Activities;” and
- a charge of $ 42 million in fiscal 2022 primarily related to the effect of accumulated other comprehensive loss components from the U.K. disposal group, as discussed in more detail in Financial Note 2, “Business Acquisitions and Divestitures.”

(8) Loss on debt extinguishment for fiscal 2022 consists of a charge of $ 191 million related to the Company’s July 2021 tender offer to redeem a portion of its existing debt, as discussed in more detail in Financial Note 11, “Debt and Financing Activities.”

(9) Amounts primarily consist of amortization of acquired intangible assets purchased in connection with business acquisitions and capitalized software for internal use as well as depreciation and amortization of property, plant, and equipment, net.

(10) Long-lived assets consist of property, plant, and equipment, net and capitalized software.

McKESSON CORPORATION

FINANCIAL NOTES (Concluded)

Segment assets and long-lived assets by geographic areas were as follows:

(In millions)	March 31, 2024	March 31, 2023
Segment assets		
U.S. Pharmaceutical	$ 46,812	$ 41,793
Prescription Technology Solutions	4,385	4,168
Medical-Surgical Solutions	6,233	5,780
International	6,535	6,226
Corporate	3,478	4,353
Total assets	$ 67,443	$ 62,320
Long-lived assets (1)		
United States	$ 2,477	$ 2,207
Foreign	334	323
Total long-lived assets	$ 2,811	$ 2,530

(1) Long-lived assets consist of property, plant, and equipment, net and capitalized software.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

Our Chief Executive Officer and our Chief Financial Officer, with the participation of other members of the Company's management, have evaluated the effectiveness of the Company's "disclosure controls and procedures" (as such term is defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report and have concluded that our disclosure controls and procedures are effective based on their evaluation of these controls and procedures as required by paragraph (b) of Exchange Act Rules 13a-15 or 15d-15.

Internal Control over Financial Reporting

Management's report on the Company's internal control over financial reporting (as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) and the related report of our independent registered public accounting firm are included in this Annual Report, under the headings, "Management's Annual Report on Internal Control Over Financial Reporting" and "Report of Independent Registered Public Accounting Firm," and are incorporated herein by reference.

Changes in Internal Controls

There was no change in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 or 15d-15 that occurred during our fourth quarter of fiscal 2024 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

Pre-arranged Trading Plans

There were no trading arrangements adopted, modified, or terminated by our directors and officers during the three months ended March 31, 2024.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not applicable.

PART III

Item 10. Directors, Executive Officers, and Corporate Governance.

Information about our directors is incorporated by reference from the discussion under the heading "Election of Directors" under Item 1 of our Proxy Statement for the calendar year 2024 Annual Meeting of Shareholders, which will be filed with the SEC within 120 days of the Company's fiscal year end covered by this Annual Report (the "Proxy Statement"). Information about our executive officers is incorporated by reference from the discussion in Part I of this Annual Report under the heading "Information about our Executive Officers." Information about our Audit Committee, including the members of the committee and our Audit Committee Financial Experts, is incorporated by reference from the discussion in Item 1 of the Proxy Statement under the heading "The Board, Committees and Meetings," and in Item 2 of the Proxy Statement under the heading "Audit Committee Report."

Information about the Code of Conduct applicable to all employees, officers, and directors can be found on our website, www.mckesson.com, under the caption "Investors — Governance." Our Corporate Governance Guidelines and current charters for the Audit Committee, Compensation and Talent Committee, Governance and Sustainability Committee, as well as the Compliance Committee and Finance Committee, can be found on the same website, under the same caption.

The Company intends to post on its website required information regarding any amendment to, or waiver from, the Code of Conduct that applies to our Chief Executive Officer, Chief Financial Officer, Controller, and persons performing similar functions within four business days after any such amendment or waiver.

Insider Trading Policies and Procedures

We are committed to fostering a culture of compliance, ethics, and regulatory excellence. In furtherance of that commitment, the Company maintains an insider trading compliance program consisting of multiple integrated policies, procedures, controls, and practices that, together, represent our systematic approach to facilitating the oversight, management, and mitigation of insider trading risks across our organization. The foundation of this program is a framework of insider trading policies and procedures ("Insider Trading Policy Framework") we have adopted applicable to our directors, officers, and employees, as well as the Company itself, which governs the purchase, sale, and other disposition of the securities of the Company and other organizations, including our business partners. We believe the Insider Trading Policy Framework is reasonably designed to promote compliance with insider trading laws, rules, and regulations, and the listing standards applicable to us. Copies of the various policies and procedures comprising our Insider Trading Policy Framework are filed as Exhibits 19.1 through 19.5 to this Annual Report on Form 10-K.

We apply aspects of the Insider Trading Policy Framework commensurate with our assessment of the varying insider trading risks facing the Company and its workforce. The Insider Trading Policy Framework's general policies and procedures, together with the insider trading compliance standards in the Code of Conduct, cover all of our directors and employees and provide broad prohibitions against the illegal and unauthorized use and disclosure of material non-public information ("MNPI"). The Insider Trading Policy Framework also contains supplemental targeted policies and procedures for individuals whose roles and functions present heightened risk of access to, and misuse of, MNPI. These separate policies and procedures subject directors, designated officers for purposes of Section 16 of the Exchange Act, and certain other employees who are likely to be aware of potential MNPI (collectively, "Designated Insiders") to additional trading restrictions, which may limit trading in the Company's securities to defined trading window periods or upon pre-approval by the Company's securities counsel, or both. The Insider Trading Policy Framework generally permits, however, trading by the Company and its personnel pursuant to a trading plan that is designed to meet the requirements of Rule 10b5-1 of the Exchange Act and the Insider Trading Policy Framework.

The Company reinforces the Insider Trading Policy Framework with similarly-tailored periodic training and compliance reminders. Insider trading compliance is part of our Code of Conduct training that is required for all employees during the onboarding process and on an annual basis thereafter, and we provide supplemental training to Designated Insiders.

The Chief Legal Officer is principally responsible for designing and implementing our insider trading compliance program and risk management strategy. The Chief Legal Officer and other members of our general counsel organization work collaboratively across the enterprise, including in coordination with our global corporate reporting and investor relations functions, to administer the program and otherwise assist senior leadership in monitoring and mitigating our insider trading risks. We review and refresh the program as needed, considering developments in insider trading laws, emerging risk areas, and policy benchmarks.

A committee of our Board periodically reviews our Insider Trading Policy Framework and related compliance and risk management measures to assist the Board in its oversight of the Company's compliance with legal and regulatory requirements and risk management.

Item 11. Executive Compensation.

Information about executive compensation is incorporated by reference from the discussion under the heading "Executive Compensation" in the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Information about security ownership of certain beneficial owners and management is incorporated by reference from the discussion under the heading "Principal Shareholders" in the Proxy Statement.

The following table sets forth information as of March 31, 2024 with respect to the plans under which the Company's common stock is authorized for issuance:

Plan Category *(In millions, except per share amounts)*	**Number of securities to be issued upon exercise of outstanding options, warrants, and rights**	**Weighted-average exercise price of outstanding options, warrants, and rights** [1]	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)**
Equity compensation plans approved by security holders	3.4 [2]	$ 145.78	7.9 [3]
Equity compensation plans not approved by security holders	—	$ —	—

(1) The weighted-average exercise price set forth in this column is calculated excluding outstanding restricted stock unit awards since recipients are not required to pay an exercise price to receive the shares subject to these awards.

(2) Represents option and restricted stock unit awards outstanding under the following plans: (i) 1997 Non-Employee Directors' Equity Compensation and Deferral Plan; (ii) the 2005 Stock Plan; (iii) the 2013 Stock Plan; and (iv) the 2022 Stock Plan. This amount also includes 2.1 million shares reserved for the potential of maximum payouts of outstanding performance stock units previously granted under the 2013 Stock Plan.

(3) Represents 3.4 million shares available for purchase under the 2000 Employee Stock Purchase Plan and 4.5 million shares available for grant under the 2022 Stock Plan.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Information with respect to certain transactions with directors and management is incorporated by reference from the Proxy Statement under the heading "Related Party Transactions Policy and Transactions with Related Persons." Information regarding Director independence is incorporated by reference from the Proxy Statement under the heading "Director Independence." Additional information regarding certain related party balances and transactions is included in the "Financial Review" section of this Annual Report and Financial Note 19, "Related Party Balances and Transactions" to the consolidated financial statements included in this Annual Report.

Item 14. Principal Accountant Fees and Services.

Information regarding principal accountant fees and services is set forth under the heading "Ratification of Appointment of Deloitte & Touche LLP as the Company's Independent Registered Public Accounting Firm for Fiscal Year 2025" in the Proxy Statement is incorporated herein by reference.

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PART IV

Item 15. Exhibits and Financial Statement Schedule.

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All other schedules not included have been omitted because of the absence of conditions under which they are required or because the required information, where material, is shown in the financial statements, financial notes, or supplementary financial information.

(a)(3) Exhibits submitted with this Annual Report on Form 10-K as filed with the SEC and those incorporated by reference to other filings are listed on the Exhibit Index	131

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SCHEDULE II

SUPPLEMENTARY CONSOLIDATED FINANCIAL STATEMENT SCHEDULE
VALUATION AND QUALIFYING ACCOUNTS
(In millions)

Description	Balance at Beginning of Year	Additions: Charges (Credits) to Costs and Expenses	Additions: Charges to Other Accounts [3]	Deductions From Allowance Accounts [1]	Balance at End of Year [2]
Year Ended March 31, 2024					
Allowances for credit losses	$ 114	$ 819 [4]	$ 5	$ (61)	$ 877
Other allowances	46	—	9	(1)	54
	$ 160	$ 819	$ 14	$ (62)	$ 931
Year Ended March 31, 2023					
Allowances for credit losses	$ 99	$ 45	$ 5	$ (35)	$ 114
Other allowances	52	—	4	(10)	46
	$ 151	$ 45	$ 9	$ (45)	$ 160
Year Ended March 31, 2022					
Allowances for credit losses	$ 211	$ 29	$ (35)	$ (106)	$ 99
Other allowances	50	—	4	(2)	52
	$ 261	$ 29	$ (31)	$ (108)	$ 151

		Years Ended March 31, 2024	2023	2022
(1)	Deductions:			
	Written-off	$ (62)	$ (37)	$ (106)
	Credited to other accounts and other	—	(8)	(2)
	Total	$ (62)	$ (45)	$ (108)
(2)	Amounts shown as deductions from current and non-current receivables (current allowances were $ 921 million, $ 158 million, and $ 144 million at March 31, 2024, 2023, and 2022, respectively)	$ 931	$ 160	$ 151

(3) Primarily represents reclassifications to other balance sheet accounts....

(4) Includes a provision for bad debts recognized of $ 725 million related to the bankruptcy of the Company's customer Rite Aid Corporation (including certain of its subsidiaries, "Rite Aid"). In October 2023, Rite Aid filed a voluntary petition for reorganization under Chapter 11 of the Bankruptcy Code and this amount represents the uncollected trade accounts receivable balance due from Rite Aid prior to its bankruptcy petition filing.....

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EXHIBIT INDEX

The agreements included as exhibits to this report are included to provide information regarding their terms and not intended to provide any other factual or disclosure information about the Company or the other parties to the agreements. The agreements may contain representations and warranties by each of the parties to the applicable agreement that were made solely for the benefit of the other parties to the applicable agreement. Those representations and warranties:

- should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;
- may apply standards of materiality in a way that is different from what may be viewed as material to you or other investors; and
- were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time.

Exhibits identified under “Incorporated by Reference” in the table below are on file with the SEC and are incorporated by reference as exhibits hereto.

		Incorporated by Reference			
Exhibit Number	Description	Form	File Number	Exhibit	Filing Date
3.1	Amended and Restated Certificate of Incorporation of the Company, as filed with the Delaware Secretary of State on July 27, 2011.	8-K	1-13252	3.1	August 2, 2011
3.2	Amended and Restated By-Laws of the Company, as amended April 26, 2023.	8-K	1-13252	3.1	April 28, 2023
4.1	Indenture, dated as of March 11, 1997, by and between the Company, as issuer, and The First National Bank of Chicago, as trustee.	10-K	1-13252	4.4	June 19, 1997
4.2	Officers’ Certificate, dated as of March 11, 1997, and related Form of 2027 Note.	S-4	333-30899	4.2	July 8, 1997
4.3	Indenture, dated as of March 5, 2007, by and between the Company, as issuer, and The Bank of New York Trust Company, N.A., as trustee.	8-K	1-13252	4.1	March 5, 2007
4.4	First Supplemental Indenture, dated as of February 28, 2011, to the Indenture, dated as of March 5, 2007, among the Company, as issuer, the Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A.), and Wells Fargo Bank, National Association, as trustee, and related Form of 2021 Note and Form of 2041 Note.	8-K	1-13252	4.2	February 28, 2011
4.5	Indenture, dated as of December 4, 2012, by and between the Company, as issuer, and Wells Fargo Bank, National Association, as trustee.	8-K	1-13252	4.1	December 4, 2012
4.6	Officers’ Certificate, dated as of March 10, 2014, and related Form of 2024 Note, and Form of 2044 Note.	8-K	1-13252	4.2	March 10, 2014
4.7	Officer’s Certificate, dated as of February 17, 2017, and related Form of 2021 Euro Note, Form of 2025 Euro Note, and Form of 2029 Sterling Note.	8-K	1-13252	4.1	February 17, 2017
4.8	Officer’s Certificate, dated as of February 12, 2018, and related Form of 2026 Euro Note.	8-K	1-13252	4.1	February 13, 2018
4.9	Officer’s Certificate, dated as of February 16, 2018, and related Form of 2028 Note.	8-K	1-13252	4.1	February 21, 2018
4.10	Officer’s Certificate, dated as of November 30, 2018, and Form of 2029 Note.	8-K	1-13252	4.1	November 30, 2018
4.11	Officer’s Certificate, dated as of December 3, 2020, and related Form of 2025 Note.	8-K	1-13252	4.1	December 3, 2020

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Exhibit Number	Description	Incorporated by Reference			
		Form	File Number	Exhibit	Filing Date
4.12	Officer's Certificate, dated as of August 12, 2021, and related Form of 2026 Note.	8-K	1-13252	4.1	August 12, 2021
4.13	Indenture, dated as of February 15, 2023, by and between the Company, as issuer, and U.S. Bank Trust Company, National Association, as trustee.	8-K	1-13252	4.1	February 15, 2023
4.14	Officer's Certificate, dated as of February 15, 2023, and related Form of 2026 Note.	8-K	1-13252	4.2	February 15, 2023
4.15	Officer's Certificate, dated as of June 15, 2023, and related Form of 2028 Note and Form of 2033 Note.	8-K	1-13252	4.1	June 16, 2023
4.16†	Description of the Company's Securities.	—	—	—	—
10.1*	McKesson Corporation Supplemental Profit Sharing Investment Plan, as amended and restated on January 29, 2003.	10-K	1-13252	10.6	June 6, 2003
10.2*	McKesson Corporation Supplemental Retirement Savings Plan, as amended and restated effective July 30, 2019.	10-Q	1-13252	10.2	October 30, 2019
10.3*	McKesson Corporation Deferred Compensation Administration Plan II, as amended and restated as of October 28, 2004, and Amendment No. 1 thereto effective July 25, 2007.	10-K	1-13252	10.7	May 7, 2008
10.4*	McKesson Corporation Deferred Compensation Administration Plan III, as amended and restated effective July 30, 2019.	10-Q	1-13252	10.1	October 30, 2019
10.5*	McKesson Corporation Executive Survivor Benefits Plan, as amended and restated as of January 20, 2010.	8-K	1-13252	10.1	January 25, 2010
10.6*	McKesson Corporation Severance Policy for Executive Employees, as amended and restated April 26, 2022.	10-K	1-13252	10.6	May 9, 2022
10.7*	McKesson Corporation Change in Control Policy for Selected Executive Employees, as amended and restated effective January 28, 2020.	10-K	1-13252	10.8	May 22, 2020
10.8*	McKesson Corporation Management Incentive Plan, as amended and restated April 26, 2022.	10-K	1-13252	10.8	May 9, 2022
10.9*	Form of Statement of Terms and Conditions Applicable to Awards Pursuant to the McKesson Corporation Management Incentive Plan, effective April 26, 2022.	10-K	1-13252	10.9	May 9, 2022
10.10*	McKesson Corporation 2005 Stock Plan, as amended and restated on July 28, 2010.	10-Q	1-13252	10.4	July 30, 2010
10.11*	Forms of (i) Statement of Terms and Conditions, (ii) Stock Option Grant Notice and (iii), Restricted Stock Unit Agreement, each as applicable to Awards under the McKesson Corporation 2005 Stock Plan.	10-Q	1-13252	10.2	July 26, 2012
10.12*	McKesson Corporation 2013 Stock Plan, effective July 31, 2013.	8-K	1-13252	10.1	August 2, 2013
10.13*	Forms of Statement of Terms and Conditions and Grant Notices Applicable to Awards Pursuant to the McKesson Corporation 2013 Stock Plan.	10-K	1-13252	10.13	May 9, 2022
10.14*	McKesson Corporation 2022 Stock Plan, effective July 22, 2022.	S-8	333-266356	10.1	July 27, 2022
10.15*	Forms of Statement of Terms and Conditions and Grant Notices Applicable to Awards Pursuant to the McKesson Corporation 2022 Stock Plan.	10-Q	1-13252	10.2	August 3, 2022
10.16*	Form of Director and Officer Indemnification Agreement.	10-K	1-13252	10.27	May 4, 2010
10.17	Tax Matters Agreement, by and between McKesson Corporation, PF2 SpinCo, Inc., Change Healthcare Inc., Change Healthcare LLC and Change Healthcare Holdings, LLC dated as of March 9, 2020.	8-K	1-13252	10.1	March 13, 2020

McKESSON CORPORATION

Exhibit Number	Description	Incorporated by Reference			
		Form	File Number	Exhibit	Filing Date
10.18	Distributor Settlement Agreement related to opioids claims, entered into on February 25, 2022, among the Settling States, the Settling Distributors, and the Participating Subdivisions (as defined therein).	8-K/A	1-6671	10.1	May 3, 2022
10.19	Credit Agreement, dated as of November 7, 2022, among the Company, as borrower, the lenders party thereto, the letter of credit issuers party thereto, Bank of America, N.A., as administrative agent, and the other parties thereto.	8-K	1-13252	10.1	November 7, 2022
10.20*	Form of Statement of Terms and Conditions Applicable to Awards Pursuant to the McKesson Corporation Management Incentive Plan, effective October 23, 2023.	10-Q	1-13252	10.2	November 2, 2023
10.21	Extension Notice Acknowledgement to Credit Agreement, dated as of November 7, 2022, among the Company, as borrower, the lenders party thereto, the letter of credit issuers party thereto, Bank of America, N.A., as administrative agent, and the other parties thereto.	8-K	1-13252	10.1	November 7, 2023
10.22†*	Forms of Statement of Terms and Conditions and Grant Notices Applicable to Awards Pursuant to the McKesson Corporation 2022 Stock Plan, effective April 23, 2024.	—	—	—	—
19.1†	Insider Trading Policy and Procedure applicable to all directors, officers, and employees.	—	—	—	—
19.2†	Designated Insider Trading Policy and Procedure applicable to all directors and officers, and certain specified employees.	—	—	—	—
19.3†	Section 16 Insider Policy and Procedure applicable to all directors and officers.	—	—	—	—
19.4†	Pre-Arranged Trading Plan Policy and Procedure applicable to all directors, officers, and employees.	—	—	—	—
19.5†	Share Repurchase and Sale Policy applicable to the Company.	—	—	—	—
21†	List of Significant Subsidiaries of the Registrant.	—	—	—	—
23†	Consent of Independent Registered Public Accounting Firm, Deloitte & Touche LLP.	—	—	—	—
31.1†	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934 and adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	—	—	—	—
31.2†	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934 and adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	—	—	—	—
32††	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	—	—	—	—
97†	McKesson Corporation Financial Restatement Compensation Recoupment Policy, effective October 2, 2023.	—	—	—	—
101†	The following materials from the McKesson Corporation Annual Report on Form 10-K for the fiscal year ended March 31, 2024, formatted in Inline Extensible Business Reporting Language (iXBRL): (i) the Consolidated Statements of Operations, (ii) Consolidated Statements of Comprehensive Income, (iii) Consolidated Balance Sheets, (iv) Consolidated Statements of Stockholders' Equity (Deficit), (v) Consolidated Statements of Cash Flows, and (vi) related Financial Notes.	—	—	—	—
104†	Cover Page Interactive Data File (formatted as iXBRL and contained in Exhibit 101).	—	—	—	—

McKESSON CORPORATION

* Management contract or compensation plan or arrangement in which directors and/or executive officers are eligible to participate.

† Filed herewith.

†† Furnished herewith.

Registrant agrees to furnish to the SEC upon request a copy of each instrument defining the rights of security holders with respect to issues of long-term debt of the registrant, the authorized principal amount of which does not exceed 10% of the total assets of the registrant.

Item 16. Form 10-K Summary.

None.

McKESSON CORPORATION

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

McKESSON CORPORATION

May 7, 2024

/s/ Britt J. Vitalone

Britt J. Vitalone

Executive Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated:

/s/ Brian S. Tyler

Brian S. Tyler
Chief Executive Officer and Director
(Principal Executive Officer)

/s/ Donald R. Knauss

Donald R. Knauss, Director

/s/ Britt J. Vitalone

Britt J. Vitalone
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

/s/ Bradley E. Lerman

Bradley E. Lerman, Director

/s/ Napoleon B. Rutledge Jr.

Napoleon B. Rutledge Jr.
Senior Vice President and Controller
(Principal Accounting Officer)

/s/ Linda P. Mantia

Linda P. Mantia, Director

/s/ Richard H. Carmona

Richard H. Carmona, M.D., Director

/s/ Maria Martinez

Maria Martinez, Director

/s/ Dominic J. Caruso

Dominic J. Caruso, Director

/s/ Kevin Ozan

Kevin Ozan, Director

/s/ W. Roy Dunbar

W. Roy Dunbar, Director

/s/ Susan R. Salka

Susan R. Salka, Director

/s/ James H. Hinton

James H. Hinton, Director

/s/ Kathleen Wilson-Thompson

Kathleen Wilson-Thompson, Director

May 7, 2024

Exhibit 4.16

DESCRIPTION OF THE COMPANY'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

The following are brief descriptions of (a) the common stock, $0.01 par value per share (the "Common Stock"), (b) the 1.500% Notes due 2025 (the "2025 Notes"), (c) the 1.625% Notes due 2026 (the "2026 Notes"), and (d) the 3.125% Notes due 2029 (the "2029 Notes" and, collectively with the 2025 Notes and the 2026 Notes, the "Notes"), of McKesson Corporation (the "Company," "we," "us," or "our"), which are the only securities of the Company registered pursuant to Section 12 of the Securities Exchange Act of 1934 (the "Exchange Act").

Description of Common Stock

General

The following descriptions of the Common Stock and of certain provisions of Delaware law do not purport to be complete and are subject to and qualified in their entirety by reference to our amended and restated certificate of incorporation, our amended and restated by-laws, and the Delaware General Corporation Law ("DGCL"). Copies of our amended and restated certificate of incorporation and our amended and restated by-laws have been filed with the Securities and Exchange Commission (the "SEC") and are incorporated by reference herein.

Our authorized capital stock consists of 900,000,000 shares, of which 800,000,000 shares are Common Stock and 100,000,000 shares are preferred stock, par value $0.01 per share. We may amend from time to time our amended and restated certificate of incorporation to increase the number of authorized shares of Common Stock and/or preferred stock. Any such amendment would require the approval of the holders of a majority of our shares entitled to vote. All of our outstanding shares of Common Stock are fully paid and non-assessable.

Common Stock

Dividend Rights. Subject to the dividend rights of the holders of any outstanding preferred stock, the holders of shares of Common Stock are entitled to receive ratably dividends out of assets legally available therefor at such times and in such amounts as our board of directors may from time to time determine.

Rights Upon Liquidation. Upon liquidation, dissolution or winding up of our affairs, the holders of Common Stock are entitled to share ratably in our assets that are legally available for distribution, after payment of all debts, other liabilities, and any liquidation preferences of outstanding preferred stock.

Conversion, Redemption and Preemptive Rights. Holders of our Common Stock have no conversion, redemption, preemptive, or similar rights.

Voting Rights. Each outstanding share of Common Stock is entitled to one vote on all matters submitted to a vote of stockholders. Our amended and restated certificate of incorporation does not provide for cumulative voting in the election of directors.

Anti-Takeover Effects of Provisions of Our Amended and Restated Certificate of Incorporation and Our Amended and Restated By-Laws

Our amended and restated certificate of incorporation and our amended and restated by-laws contain certain provisions that may be deemed to have an anti-takeover effect and may delay, deter, or prevent a tender offer or takeover attempt that a stockholder might consider in its best interest, including those attempts that might result in a premium over the market price for the shares held by stockholders.

Our amended and restated certificate of incorporation also provides that any action required or permitted to be taken by the holders of Common Stock may be effected only at an annual or special meeting of such holders, and that stockholders may act in lieu of such meetings only by unanimous written consent. Our amended and restated by-laws provide that special meetings of holders of Common Stock may be called only by our Chair, Chief Executive Officer, or a majority of our board of directors for any purpose at any time. Holders of Common Stock owning at least 15% of the outstanding shares of Common Stock for at least one year are permitted to submit a special meeting request in accordance with the procedures described in our amended and restated by-laws.

Our amended and restated by-laws establish an advance notice procedure for the nomination, other than by or at the direction of our board of directors, of candidates for election as directors, as well as for other stockholder proposals to be considered at annual meetings of stockholders. In general, notice of intent to nominate a director or raise business at such meetings must be received by us not less than 90 nor more than 120 days prior to the date of the annual meeting and must contain certain specified information concerning the person to be nominated or the matters to be brought before the meeting and concerning the stockholder submitting the proposal.

Pursuant to our amended and restated certificate of incorporation and the DGCL, our amended and restated certificate of incorporation may be amended by a vote of a majority of our board of directors and by the affirmative vote of a majority of the shares of the corporation entitled to vote thereon. Our amended and restated certificate of incorporation and our amended and restated by-laws provide that our amended and restated by-laws may be amended by a vote of a majority of our board of directors. In addition, our amended and restated by-laws provide that our amended and restated by-laws may be amended by the affirmative vote of a majority of the shares of the corporation entitled to vote thereon.

Exclusive Forum Provision of our Amended and Restated By-Laws

Our amended and restated by-laws provide that, unless the Corporation consents in writing to the selection of an alternative forum, the sole and exclusive forum for specified legal actions is the Court of Chancery of the State of Delaware or the United States District Court for the District of Delaware if the Court of Chancery does not have or declines to accept jurisdiction (collectively, “Delaware Courts”). Current and former stockholders are deemed to have consented to the personal jurisdiction of the Delaware Courts in connection with any action to enforce that exclusive forum provision and to service of process in any such action.

Section 203 of Delaware General Corporation Law

We are subject to the "business combination" statute of the DGCL. In general, that statute prohibits a publicly held Delaware corporation from engaging in a "business combination" with any "interested stockholder" for a period of three years after the date of the transaction in which the person became an "interested stockholder," unless:

(1) such transaction is approved by our board of directors prior to the date the interested stockholder obtains such status,

(2) upon consummation of such transaction, the "interested stockholder" beneficially owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding those shares owned by (a) persons who are directors and also officers and (b) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer, or

(3) the "business combination" is approved by our board of directors and authorized at an annual or special meeting of stockholders by the affirmative vote of at least 66-2/3% of the outstanding voting stock which is not owned by the "interested stockholder."

A "business combination" includes mergers, asset sales, and other transactions resulting in financial benefit to the "interested stockholder." An "interested stockholder" is a person who, together with affiliates and associates, owns (or within three years, did own) beneficially 15% or more of a corporation's voting stock. The statute could prohibit or delay mergers or other takeover or change in control attempts with respect to us and, accordingly, may discourage attempts to acquire us.

Certain Effects of Authorized but Unissued Stock

Our authorized but unissued shares of Common Stock and preferred stock may be issued without additional stockholder approval and may be utilized for a variety of corporate purposes, including future offerings to raise additional capital or to facilitate corporate acquisitions.

The issuance of preferred stock could have the effect of delaying or preventing a change in control of us. The issuance of preferred stock could decrease the amount available for distribution to holders of our Common Stock or could adversely affect the rights and powers, including voting rights, of such holders. In certain circumstances, such issuance could have the effect of decreasing the market price of our Common Stock.

One of the effects of the existence of unissued and unreserved Common Stock or preferred stock may be to enable our board of directors to issue shares to persons friendly to current management, which could render more difficult or discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest or otherwise, and thereby protect the continuity of management. Such additional shares also could be used to dilute the stock ownership of persons seeking to obtain control of us.

Limitation of Liability of Directors

Our amended and restated certificate of incorporation contains a provision that limits the liability of our directors for monetary damages for breach of fiduciary duty as a director to the fullest extent permitted by the Delaware General Corporation Law. Such limitation does not, however, affect the liability of a director (1) for any breach of the director's duty of loyalty to us or our stockholders, (2) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, (3) in respect of certain unlawful dividend payments or stock redemptions or purchases, and (4) for any transaction from which the director derives an improper personal benefit. The effect of this provision is to eliminate our rights and the rights of our stockholders (through stockholders' derivative suits) to recover monetary damages against a director for breach of the fiduciary duty of care as a director (including breaches resulting from negligent or grossly negligent behavior) except in the situations described in clauses (1) through (4) above. This provision does not limit or eliminate our rights or the rights of our stockholders to seek non-monetary relief such as an injunction or rescission in the event of a breach of a director's duty of care. In addition, our directors and officers have indemnification protection.

Transfer Agent and Registrar

EQ Shareowner Services acts as transfer agent and registrar of our Common Stock.

Listing

Our Common Stock is listed on the New York Stock Exchange under the symbol "MCK".

Description of Notes

General

On February 17, 2017, we issued £450,000,000 aggregate principal amount of 3.125% Notes due 2029 and €600,000,000 aggregate principal amount of 1.500% Notes due 2025, and on February 12, 2018, we issued €500,000,000 aggregate principal amount of 1.625% Notes due 2026. Each series of the Notes was issued pursuant to the Indenture, dated as of December 4, 2012 (the "Indenture") between the Company and Computershare Trust Company, National Association (as successor to Wells Fargo Bank, National Association), as trustee (the "Trustee"), in each case, as supplemented by an Officer's Certificate setting forth certain terms of the applicable series of the Notes (the "Officer's Certificates").

Each series of the Notes is an unsecured and unsubordinated obligation of the Company and ranks equally with all of the Company's existing and future unsecured and unsubordinated indebtedness from time to time outstanding.

The following descriptions of the Indenture, the Officer's Certificates and the Notes do not purport to be complete and are subject to and qualified in their entirety by reference to the Indenture, the Officer's Certificates and the Notes, which have been filed with the SEC and are incorporated by reference herein. Unless otherwise specified, all capitalized and undefined terms in this "Description of Notes" have the meanings specified in the Indenture.

General Terms of the Indenture

We may issue, from time to time, debt securities, in one or more series, that will consist of either our senior debt ("Senior Debt Securities"), our senior subordinated debt ("Senior Subordinated Debt Securities"), our subordinated debt ("Subordinated Debt Securities") or our junior subordinated debt ("Junior Subordinated Debt Securities" and, together with the Senior Subordinated Debt Securities and the Subordinated Debt Securities, the "Subordinated Securities"). The Indenture does not limit the amount of debt securities that we may issue. It provides that we may issue debt securities up to the principal amount that we may authorize and may be in any currency or currency unit designated by us. Except for the limitations on consolidation, merger and sale of all or substantially all of our assets contained in the Indenture, the terms of the Indenture do not contain any covenants or other provisions designed to afford holders of any debt securities protection with respect to our operations, financial condition or transactions involving us.

Consolidation, Merger or Sale. We cannot consolidate or merge with or into, or transfer or lease all or substantially all of our assets to, any person unless (a) we will be the continuing corporation or (b) the successor corporation or person formed by such consolidation or into which we are merged or to which our assets substantially as an entirety are transferred or leased is a corporation, limited liability company or limited partnership organized or existing under the laws of the United States, any state of the United States or the District of Columbia and, if such entity is not a corporation, a co-obligor of the debt securities is a corporation organized or existing under any such laws, and such successor corporation or person, including such co-obligor, if any, expressly assumes our obligations on the debt securities and under the Indenture. In addition, we cannot effect such a transaction unless immediately after giving effect to such transaction, no default or Event of Default under the Indenture shall have occurred and be continuing. Subject to certain exceptions, when the person to whom our assets are transferred or leased has assumed our obligations under the debt securities and the Indenture, we shall be discharged from all our obligations under the debt securities and the Indenture, except in limited circumstances.

This covenant would not apply to any recapitalization transaction, a change of control of the Company or a highly leveraged transaction, unless the transaction or change of control were structured to include a merger or consolidation or transfer or lease of all or substantially all of our assets.

Events of Default. Unless otherwise indicated, the term "Event of Default," when used in the Indenture with respect to the debt securities of any series, means any of the following:

- failure to pay interest for 30 days after the date payment on any debt security of such series is due and payable; provided that an extension of an interest payment period by the Company in accordance with the terms of the debt securities shall not constitute a failure to pay interest;

- failure to pay principal or premium, if any, on any debt security of such series when due, either at maturity, upon any redemption, by declaration or otherwise;

- failure to perform any other covenant in the Indenture or the debt securities of such series ("other covenants") for 90 days after notice that performance was required;

- events in bankruptcy, insolvency or reorganization of the Company; or

- any other Event of Default provided in the applicable resolution of our board of directors or the officers' certificate or supplemental Indenture under which we issue such series of debt securities.

An Event of Default for a particular series of debt securities does not necessarily constitute an Event of Default for any other series of debt securities issued under the Indenture. If an Event of Default relating to the payment of interest, principal or any sinking fund installment involving any series of debt securities has occurred and is continuing, the Trustee or the holders of not less than 25% in aggregate principal amount of the debt securities of each affected series may declare the entire principal of all the debt securities of that series to be due and payable immediately.

If an Event of Default relating to the performance of other covenants occurs and is continuing for a period of 90 days after notice of such, or if any other Event of Default occurs and is continuing involving all of the series of Senior Debt Securities, then the Trustee or the holders of not less than 25% in aggregate principal amount of all of the series of Senior Debt Securities may declare the entire principal amount of all of the series of Senior Debt Securities due and payable immediately.

Similarly, if an Event of Default relating to the performance of other covenants occurs and is continuing for a period of 90 days after notice of such, or if any other Event of Default occurs and is continuing involving all of the series of Subordinated Securities, then the Trustee or the holders of not less than 25% in aggregate principal amount of all of the series of Subordinated Securities may declare the entire principal amount of all of the series of Subordinated Securities due and payable immediately.

If, however, the Event of Default relating to the performance of other covenants or any other Event of Default that has occurred and is continuing is for less than all of the series of Senior Debt Securities or Subordinated Securities, as the case may be, then the Trustee or the holders of not less than 25% in aggregate principal amount of each affected series of the Senior Debt Securities or the Subordinated Securities, as the case may be, may declare the entire principal amount of all debt securities of such affected series due and payable immediately. The holders of not less than a majority in aggregate principal amount of the debt securities of a series may, after satisfying conditions, rescind and annul any of the above-described declarations and consequences involving the series.

If an Event of Default relating to events in bankruptcy, insolvency or reorganization of the Company occurs and is continuing, then the principal amount of all of the debt securities outstanding, and any accrued interest, will automatically become due and payable immediately, without any declaration or other act by the Trustee or any holder.

The Indenture imposes limitations on suits brought by holders of debt securities against us. Except as provided below, no holder of debt securities of any series may institute any action against us under the Indenture unless:

- the holder has previously given to the Trustee written notice of default and continuance of that default;

- the holders of at least 25% in principal amount of the outstanding debt securities of the affected series have requested that the Trustee institute the action;

- the requesting holders have offered the Trustee security or indemnity reasonably satisfactory to it for expenses and liabilities that may be incurred by bringing the action;
- the Trustee has not instituted the action within 60 days of the request; and
- the Trustee has not received inconsistent direction by the holders of a majority in principal amount of the outstanding debt securities of the affected series.

Notwithstanding the foregoing, each holder of debt securities of any series has the right, which is absolute and unconditional, to receive payment of the principal of, and premium and interest, if any, on, such debt securities when due and to institute suit for the enforcement of any such payment, and such rights may not be impaired without the consent of that holder of debt securities.

We will be required to file annually with the Trustee a certificate, signed by an officer of the Company, stating whether or not the officer knows of any default by us in the performance, observance or fulfillment of any condition or covenant of the Indenture.

Modification of the Indenture. The Indenture provides that we and the Trustee may enter into supplemental indentures without the consent of the holders of debt securities to:

- secure any debt securities;
- evidence the assumption by a successor corporation of our obligations;
- add covenants for the protection of the holders of debt securities;
- cure any ambiguity or correct any inconsistency in the Indenture;
- establish the forms or terms of debt securities of any series; and
- evidence and provide for the acceptance of appointment by a successor Trustee.

The Indenture also provides that we and the Trustee may, with the consent of the holders of not less than a majority in aggregate principal amount of debt securities of all series of Senior Debt Securities or Subordinated Securities, as the case may be, then outstanding and affected thereby (voting as one class), add any provisions to, or change in any manner, eliminate or modify in any way the provisions of, the Indenture or modify in any manner the rights of the holders of the debt securities. We and the Trustee may not, however, without the consent of the holder of each outstanding debt security affected thereby:

- extend the final maturity of any debt security;
- reduce the principal amount or premium, if any;
- reduce the rate or extend the time of payment of interest;
- reduce any amount payable on redemption;
- change the currency in which the principal (other than as may be provided otherwise with respect to a series), premium, if any, or interest is payable;

- reduce the amount of the principal of any debt security issued with an original issue discount that is payable upon acceleration or provable in bankruptcy;

- modify any of the subordination provisions or the definition of senior indebtedness applicable to any Subordinated Securities in a manner adverse to the holders of those securities;

- alter provisions of the Indenture relating to the debt securities not denominated in U.S. dollars;

- impair the right to institute suit for the enforcement of any payment on any debt security when due; or

- reduce the percentage of holders of debt securities of any series whose consent is required for any modification of the Indenture.

Certain Covenants

Each Officer's Certificate contains the following covenants.

Definitions. The term "Attributable Debt" shall mean in connection with a sale and lease-back transaction the lesser of (a) the fair value of the assets subject to such transaction, as determined by our Board of Directors, or (b) the present value of the remaining obligations of the lessee for net rental payments during the term of any lease discounted at the rate of interest set forth or implicit in the terms of such lease or, if not practicable to determine such rate, the weighted average interest rate per annum borne by the debt securities of each series outstanding pursuant to the Indenture and subject to limitations on sale and lease-back transaction covenants, compounded semi-annually in either case as determined by our principal accounting or financial officer.

The term "Consolidated Subsidiary" shall mean any Subsidiary (as defined in the Indenture), substantially all the property of which is located, and substantially all the operations of which are conducted, in the United States of America whose financial statements are consolidated with our financial statements in accordance with accounting principles generally accepted in the United States of America.

The term "Exempted Debt" shall mean the sum of the following as of the date of determination: (1) Indebtedness of ours and our Consolidated Subsidiaries incurred after the date of issuance of the notes and secured by liens not permitted by the limitation on liens provisions, and (2) Attributable Debt of ours and our Consolidated Subsidiaries in respect of every sale and lease-back transaction entered into after the date of the issuance of the notes, other than leases permitted by the limitation on sale and lease-back provisions.

The term "Indebtedness" shall mean all items classified as indebtedness on our most recently available consolidated balance sheet, in accordance with accounting principles generally accepted in the United States of America.

The term “Qualified Receivables Transaction” shall mean any transaction or series of transactions entered into by us or any of our Subsidiaries pursuant to which we or any of our Subsidiaries sells, conveys or otherwise transfers to (1) a Receivables Subsidiary (in the case of a transfer by us or any of our Subsidiaries) or (2) any other person (in the case of a transfer by a Receivables Subsidiary), or grants a security interest in, any accounts receivable (whether now existing or arising in the future) or inventory of us or any of our Subsidiaries, and any assets related thereto including, without limitation, all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable or inventory, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interests are customarily granted in connection with asset securitization transactions involving accounts receivable or inventory.

The term “Receivables Subsidiary” shall mean a Subsidiary of ours which engages in no activities other than in connection with the financing of accounts receivable or inventory (a) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (1) is guaranteed by us or any Subsidiary of ours (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to representations, warranties, covenants and indemnities entered into in the ordinary course of business in connection with a Qualified Receivables Transaction), (2) is recourse or obligates us or any Subsidiary of ours in any way other than pursuant to representations, warranties, covenants and indemnities entered into in the ordinary course of business in connection with a Qualified Receivables Transaction or (3) subjects any property or asset of ours or any Subsidiary of ours (other than accounts receivable or inventory and related assets as provided in the definition of “Qualified Receivables Transaction”), directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to representations, warranties, covenants and indemnities entered into in the ordinary course of business in connection with a Qualified Receivables Transaction, (b) with which neither we nor any Subsidiary of ours has any material contract, agreement, arrangement or understanding other than on terms customary for securitization of receivables or inventory and (c) with which neither we nor any Subsidiary of ours has any obligations to maintain or preserve such Subsidiary’s financial condition or cause such Subsidiary to achieve certain levels of operating results.

Limitation on Liens. We covenant that, so long as any of the Notes remain outstanding, we will not, and will not permit any Consolidated Subsidiary, to create or assume any Indebtedness for money borrowed which is secured by a mortgage, pledge, security interest or lien (“liens”) of or upon any assets, whether now owned or hereafter acquired, of ours or any such Consolidated Subsidiary without equally and ratably securing the notes by a lien ranking equally to and ratably with (or, at our option, senior to) such secured Indebtedness, except that the foregoing restriction shall not apply to:

- liens on assets of any corporation existing at the time such corporation becomes a Consolidated Subsidiary;

- liens on assets existing at the time of acquisition thereof, or to secure the payment of the purchase price of such assets, or to secure indebtedness incurred or guaranteed by us or a Consolidated Subsidiary for the purpose of financing the purchase price of such assets or improvements or construction thereon, which indebtedness is incurred or guaranteed prior to, at the time of or within 360 days after such acquisition, or in the case of real property, completion of such improvement or construction or commencement of full operation of such property, whichever is later;

- liens securing indebtedness owed by any Consolidated Subsidiary to us or another wholly owned Subsidiary;

- liens on any assets of a corporation existing at the time such corporation is merged into or consolidated with us or a Subsidiary or at the time of a purchase, lease or other acquisition of the assets of the corporation or firm as an entirety or substantially as an entirety by us or a Subsidiary;

- liens on any assets of ours or a Consolidated Subsidiary in favor of the United States of America or any state thereof, or in favor of any other country, or political subdivision thereof, to secure certain payments pursuant to any contract or statute or to secure any indebtedness incurred or guaranteed for the purpose of financing all or any part of the purchase price, or, in the case of real property, the cost of construction, of the assets subject to such liens, including, but not limited to, liens incurred in connection with pollution control, industrial revenue or similar financing;

- any extension, renewal or replacement, or successive extensions, renewals or replacements, in whole or in part, of any lien referred to in the foregoing;

- certain statutory liens or other similar liens arising in the ordinary course of our or a Consolidated Subsidiary's business, or certain liens arising out of government contracts;

- certain pledges, deposits or liens made or arising under the worker's compensation or similar legislation or in certain other circumstances;

- certain liens in connection with legal proceedings, including certain liens arising out of judgments or awards;

- liens for certain taxes or assessments, landlord's liens and liens and charges incidental to the conduct of the business or the ownership of our assets or those of a Consolidated Subsidiary, which were not incurred in connection with the borrowing of money and which do not, in our opinion, materially impair the use of such assets in the operation of our business or that of such Consolidated Subsidiary or the value of such assets for the purposes thereof;

- liens relating to accounts receivable of ours or any of our Subsidiaries which have been sold, assigned or otherwise transferred to another Person in a transaction classified as a sale of accounts receivable in accordance with accounting principles generally accepted in the United States of America, to the extent the sale by us or the applicable Subsidiary is deemed to give rise to a lien in favor of the purchaser thereof in such accounts receivable or the proceeds thereof; or

- liens on any assets of ours or any of our Subsidiaries (including Receivables Subsidiaries) incurred in connection with a Qualified Receivables Transaction.

Notwithstanding the above, we or any of our Consolidated Subsidiaries may, without securing the notes, create or assume any Indebtedness which is secured by a lien which would otherwise be subject to the foregoing restrictions; provided that after giving effect thereto the Exempted Debt then outstanding at such time does not exceed 10% of our total assets on a consolidated basis.

Limitation on Sale and Lease-Back Transactions. Sale and lease-back transactions, except such transactions involving leases for less than three years, by us or any Consolidated Subsidiary of any assets are prohibited unless (a) we or such Consolidated Subsidiary would be entitled to incur Indebtedness secured by a lien on the assets to be leased in an amount at least equal to the Attributable Debt in respect of such transaction without equally and ratably securing the notes, or (b) the proceeds of the sale of the assets to be leased are at least equal to their fair market value (as determined by our Board of Directors) and the proceeds are applied to the purchase or acquisition, or, in the case of real property, the construction, of assets or to the retirement of Indebtedness. The foregoing limitation will not apply, if at the time we or any Consolidated Subsidiary enters into such sale and lease-back transaction, and after giving effect thereto, Exempted Debt does not exceed 10% of our total assets on a consolidated basis.

2025 Notes

The 2025 Notes bear interest at the rate of 1.500% per year. Interest on the 2025 Notes is payable on November 17 of each year. The 2025 Notes will mature on November 17, 2025.

We may redeem the 2025 Notes prior to August 17, 2025, the date that is three months before their maturity date, in whole, at any time, or in part, from time to time, at our option, for cash, at a redemption price that includes accrued and unpaid interest and a make-whole premium, as specified in the Indenture and the applicable Officer's Certificate.

On or after August 17, 2025, we may redeem the 2025 Notes in whole, at any time, or in part, from time to time, at our option, for cash, at a redemption price equal to 100% of the principal amount of such notes, plus accrued and unpaid interest to, but not including, the redemption date.

In addition, we may redeem the 2025 Notes for cash in whole, but not in part, at any time prior to maturity at a price equal to 100% of, plus accrued and unpaid interest, if certain tax events occur, as specified in the applicable Officer's Certificate.

In the event of the occurrence of both (1) a change of control of the Company and (2) a downgrade of a the 2025 Notes below an investment grade rating by each of the Ratings Agencies (as defined in the applicable Officer's Certificate) within a specified period, unless the Company has previously exercised its optional redemption right with respect to the 2025 Notes in whole, the Company will be required to offer to repurchase the 2025 Notes from the holders at a price in cash equal to 101% of the then outstanding principal amount of 2025 Notes, plus accrued and unpaid interest to, but not including, the date of repurchase.

2026 Notes

The 2026 Notes bear interest at the rate of 1.625% per year. Interest on the 2026 Notes is payable on October 30 of each year. The 2025 Notes will mature on October 30, 2026.

We may redeem the 2026 Notes for cash in whole, at any time, or in part, from time to time, prior to maturity, at a redemption price that includes accrued and unpaid interest and a make-whole premium.

In addition, we may redeem the 2026 Notes for cash in whole, but not in part, at any time prior to maturity at a price equal to 100% of, plus accrued and unpaid interest, if certain tax events occur, as specified in the applicable Officer's Certificate.

In the event of the occurrence of both (1) a change of control of the Company and (2) a downgrade of the 2026 Notes below an investment grade rating by each of the Ratings Agencies (as defined in the applicable Officer's Certificate) within a specified period, unless the Company has previously exercised its optional redemption right with respect to the 2026 Notes in whole, the Company will be required to offer to repurchase the 2026 Notes from the holders at a price in cash equal to 101% of the then outstanding principal amount of 2026 Notes, plus accrued and unpaid interest to, but not including, the date of repurchase.

2029 Notes

The 2029 Notes bear interest at the rate of 3.125% per year. Interest on the 2029 Notes is payable on February 17 of each year. The 2029 Notes will mature on February 17, 2029.

We may redeem the 2029 Notes prior to November 17, 2028, the date that is three months before their maturity date in whole, at any time, or in part, from time to time, at our option, for cash, at a redemption price that includes accrued and unpaid interest and a make-whole premium, as specified in the Indenture and the applicable Officer's Certificate.

On or after November 17, 2028, we may redeem the 2029 Notes in whole, at any time, or in part, from time to time, at our option, for cash, at a redemption price equal to 100% of the principal amount of such notes, plus accrued and unpaid interest to, but not including, the redemption date.

In addition, we may redeem the 2029 Notes for cash in whole, but not in part, at any time prior to maturity at a price equal to 100% of, plus accrued and unpaid interest, if certain tax events occur, as specified in the applicable Officer's Certificate.

In the event of the occurrence of both (1) a change of control of the Company and (2) a downgrade of a the 2029 Notes below an investment grade rating by each of the Ratings Agencies (as defined in the applicable Officer's Certificate) within a specified period, unless the Company has previously exercised its optional redemption right with respect to the 2029 Notes in whole, the Company will be required to offer to repurchase the 2029 Notes from the holders at a price in cash equal to 101% of the then outstanding principal amount of 2029 Notes, plus accrued and unpaid interest to, but not including, the date of repurchase.

Concerning the Trustee

Computershare Trust Company, National Association (as successor to Wells Fargo Bank, National Association) is the Trustee under the Indenture with respect to the Notes. We may maintain deposit accounts or conduct other banking transactions with the Trustee in the ordinary course of business.

Governing Law

The Indenture and Notes are governed by, and construed in accordance with, the laws of the State of New York, including, without limitation, Sections 5-1401 and 5-1402 of the New York General Obligations Law and New York Civil Practice Law and Rules 327(b).

Listing

Our 2025 Notes are listed on the New York Stock Exchange under the symbol “MCK25.” Our 2026 Notes are listed on the New York Stock Exchange under the symbol “MCK26.” Our 2029 Notes are listed on the New York Stock Exchange under the symbol “MCK29.”

OUTSIDE DIRECTOR
Dividend Equivalent Cash

McKESSON CORPORATION
STATEMENT OF TERMS AND CONDITIONS APPLICABLE TO
RESTRICTED STOCK UNITS GRANTED TO
OUTSIDE DIRECTORS PURSUANT TO THE 2022 STOCK PLAN

I. INTRODUCTION

The following terms and conditions shall apply to Restricted Stock Unit Awards granted under the Plan and are subject to the terms and conditions of the Plan. This Statement of Terms and Conditions is intended to meet the requirements of Code Section 409A and any regulations and rules promulgated thereunder. In the event of any inconsistency between this Statement of Terms and Conditions and the Plan, the Plan shall govern. Capitalized terms not otherwise defined in this Statement of Terms and Conditions shall have the meaning set forth in the Plan.

II. RESTRICTED STOCK UNITS

1. Award Agreement. A Restricted Stock Unit Award granted to an Outside Director under the Plan shall be evidenced by a Restricted Stock Unit Agreement to be executed by the Outside Director and the Corporation setting forth the terms and conditions of the Restricted Stock Unit Award. Each Restricted Stock Unit Grant Notice shall incorporate by reference and be subject to this Statement of Terms and Conditions, including the special terms and conditions in the Appendix for the Outside Director's country (if any) which forms part of this Statement of Terms and Conditions, and together both documents shall constitute the Restricted Stock Unit Agreement. The Restricted Stock Units are also subject to the terms and conditions of the Plan.

2. Terms and Conditions. The Administrator administering the Plan has authority to determine the Outside Directors to whom, and the time or times at which, grants of Restricted Stock Units will be made, the number of Units to be awarded, and all other terms and conditions of such awards. With respect to annual Restricted Stock Unit Awards granted to Outside Directors under the Plan, such awards shall be subject to the following terms, conditions and restrictions.

(A) Grant Date. Each Outside Director may be granted a Restricted Stock Unit Award on the date of each annual meeting of stockholders. An Outside Director that is elected to the Board between annual meetings of stockholders may also be granted a Restricted Stock Unit Award on the date that the Board determines in its sole discretion.

(B) Number of Restricted Stock Units. Unless otherwise determined by the Board or the Governance Committee of the Board (the "Governance Committee"), the number of Restricted Stock Units ("Units") granted for the annual meeting grant will be determined by dividing the Fair Market Value of a Share on the date of grant into $200,000 (with any fractional Unit rounded up to the nearest whole Unit). In addition to such grant, unless otherwise determined by the Board or the Governance Committee, the Independent Chair shall be granted an annual meeting grant determined by dividing the Fair Market Value of a Share on the date of grant into $120,000 (with any fractional Unit rounded up to the nearest whole Unit). Notwithstanding the foregoing, in no event shall the aggregate number of Units granted to any Outside Director pursuant to such annual meeting grant or grants exceed 5,000. A newly elected Outside Director may receive a prorated annual meeting grant effective upon the date of the Outside Director's election to the Board.

(C) No Restrictions. Each Restricted Stock Unit Award granted to an Outside Director will be fully vested on the date of grant.

3. Dividend Equivalents. Dividend equivalents in respect of Restricted Stock Units, if granted in tandem with such Units, will be credited on behalf of an Outside Director to a deferred cash account until such time as the underlying Shares are issued.

4. Assignability. An Outside Director shall not be permitted to sell, transfer, pledge, assign or encumber Restricted Stock Units, other than pursuant to a qualified domestic relations order as defined in the Code or Title I of the U.S. Employee Retirement Income Security Act.

5. No Stockholder Rights. Neither an Outside Director nor any person entitled to exercise an Outside Director's rights in the event of the Outside Director's death shall have any of the rights of a stockholder with respect to a Restricted Stock Unit Award except to the extent that a book entry has been entered in the records of the Corporation's transfer agent with respect to the underlying Shares paid upon the settlement of any Restricted Stock Unit Award as described in Section II.6 below.

6. Time of Payment of Restricted Stock Units. Except as noted in Section II.7 below, Restricted Stock Units granted to Outside Directors shall not be paid until after the Outside Director's separation of service with the Corporation ("Automatic Deferral Requirement"). "Separation from service" shall have the meaning provided under the McKesson Corporation Deferred Compensation Administration Plan III ("DCAP III"). Payment shall be made in Shares in the form of an appropriate book entry entered in the records of the Corporation's transfer agent recording the Outside Director's unrestricted interest in the number of Shares subject to the Restricted Stock Unit Award.

7. Satisfaction of Director Stock Ownership Guidelines. For those Outside Directors who have met the Director Stock Ownership Guidelines in effect at the time, Restricted Stock Unit grants shall not be subject to the Automatic Deferral Requirement and such grants will be immediately converted into Shares and distributed to the Outside Director; provided, however, that the Outside Director may elect to defer receipt of the Shares underlying the Restricted Stock Units.

8. Deferrals of Restricted Stock Units. Deferrals of Restricted Stock Units, whether elective or pursuant to the Automatic Deferral Requirement, shall be subject to the terms and conditions of DCAP III.

III. MISCELLANEOUS

1. No Effect on Terms of Service with the Corporation. Nothing contained in this Statement of Terms and Conditions, the Plan or a Restricted Stock Unit Agreement shall affect the Corporation's right to terminate the service of any Outside Director.

2. Grants to Outside Directors in Foreign Countries. If an Outside Director is not a United States citizen or resident, the Board has the full discretion to deviate from this Statement of Terms and Conditions in order to adjust a Restricted Stock Unit Award to prevailing local conditions, including custom and legal and tax requirements. Furthermore, the Corporation reserves the right to impose other requirements on the Outside Director's participation in the Plan, on the Award and on any Shares acquired under the Plan, to the extent the Corporation determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require the Outside Director to sign any additional agreements or undertaking that may be necessary to accomplish the foregoing.

3. Information Notification. Any information required to be given under the terms of a Restricted Stock Unit Award shall be addressed to the Corporation in care of its Corporate Secretary at McKesson Corporation, 6555 North State Highway 161, Irving, Texas 75039, and any notice to be given to an Outside Director shall be addressed to the Outside Director at the address indicated beneath the Outside Director's name on the Restricted Stock Unit Agreement or such other address as either party may designate in writing to the other. Any such notice shall be deemed to have been duly given when enclosed in a properly sealed envelope or wrapper addressed as aforesaid, registered or certified and deposited (postage or registration or certification fee prepaid) in a post office or branch post office. The parties may use email delivery, so long as the message is clearly marked, sent to the email address(es) set forth herein. Email delivery will be deemed to occur when the sender receives confirmation that such message has been received and read by the recipient. Emails to the Corporation shall be delivered to CorpSecretary@McKesson.com.

4. Electronic Delivery. The Corporation may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Corporation or a third party designated by the Corporation.

5. Administrator Decisions Conclusive. All decisions of the Administrator administering the Plan upon any questions arising under the Plan, under this Statement of Terms and Conditions, or under a Restricted Stock Unit Agreement, shall be conclusive and binding on all persons.

6. No Effect on Other Benefit Plans. Nothing herein contained shall affect an Outside Director's right, if any, to participate in and receive benefits from and in accordance with the then current provisions of any benefit plan or program offered by the Corporation.

7. Withholding. Each Outside Director shall agree to make appropriate arrangements with the Corporation for satisfaction of any applicable federal, state or local income tax withholding requirements or payroll tax requirements, if any is required.

8. Data Privacy Information and Consent.

(A) Data Collection and Usage. The Corporation may collect, process and use certain personal information about the Outside Director, including, but not limited to, the Outside Director's name, home address and telephone number, email address, date of birth, social insurance number, passport or other identification number, salary, nationality, job title, any Shares held in the Corporation, details of all Restricted Stock Units or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in the Outside Director's favor ("Data"), for the purposes of implementing, administering and managing the Plan. The legal basis, where required, for the processing of Data is the Outside Director's consent.

(B) Stock Plan Administration Service Providers. The Corporation transfers Data to Fidelity Stock Plan Services LLC and its affiliated companies, an independent service provider based in the United States, which is assisting the Corporation with the implementation, administration and management of the Plan. The Corporation may select a different service provider or additional service providers and share Data with such other provider serving in a similar manner. The Outside Director may be asked to agree on separate terms and data processing practices with the service provider, with such agreement being a condition to the ability to participate in the Plan.

(C) International Data Transfers. The Corporation and its service providers are based in the United States. The Outside Director's country or jurisdiction may have different data privacy laws and protections than the United States. The Corporation's legal basis, where required, for the transfer of Data is the Outside Director's consent.

(D) Data Retention. The Corporation will hold and use the Data only as long as is necessary to implement, administer and manage the Outside Director's participation in the Plan, or as required to comply with legal or regulatory obligations, including under tax and security laws. In the latter case, the Outside Director understands and acknowledges that the Corporation's legal basis for the processing of the Outside Director's Data would be compliance with the relevant laws or regulations or the pursuit by the Corporation of respective legitimate interests not outweighed by the Outside Director's interests, rights or freedoms. When the Corporation no longer needs the Outside Director's Data for any of the above purposes, the Outside Director understands the Corporation will remove it from its systems.

(E) Voluntariness and Consequences of Consent Denial or Withdrawal. Participation in the Plan is voluntary and the Outside Director is providing the consents herein on a purely voluntary basis. If the Outside Director does not consent, or if the Outside Director later seeks to revoke the Outside Director's consent, the Outside Director's retainer and fees from or services with the Corporation will not be affected; the only consequence of refusing or withdrawing the Outside Director's consent is that the Corporation would not be able to grant Awards to the Outside Director or administer or maintain such Awards.

(F) Data Subject Rights. The Outside Director may have a number of rights under data privacy laws in the Outside Director's jurisdiction. Depending on where the Outside Director is based, such rights may include the right to (i) inquire whether and what kind of Data the Corporation holds about the Outside Director and how it is processed, and to request access or copies of Data the Corporation processes, (ii) request the correction or supplementation of Data about the Outside Director that is inaccurate, incomplete or out-of-date in light of the purposes underlying the processing, (iii) obtain the erasure of Data no longer necessary for the purposes underlying the processing, processed based on withdrawn consent, processed for legitimate interests that, in the context of the Outside Director's objection, do not prove to be compelling, or processed in non-compliance with applicable legal requirements, (iv) request restrictions on processing of Data in certain situations where the Outside Director feels its processing is inappropriate, (v) request portability of the Outside Director's Data that the Outside Director has actively or passively provided to the Corporation (which does not include data derived or inferred from the collected data), where the processing of such Data is based on consent or the Outside Director's service on the Board and is carried out by automated means, (vi) object, in certain circumstances, to the processing of Data for legitimate interests, (vii) lodge complaints with competent authorities in the Outside Director's jurisdiction, and/or (viii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, the Outside Director can contact the Corporate Secretary.

By accepting the Award and indicating consent via the Corporation's acceptance procedure, the Outside Director is declaring that he or she agrees with the data processing practices described herein and consents to the collection, processing and use of Data by the Corporation and the transfer of Data to the recipients mentioned above, including recipients located in countries which do not adduce an adequate level of protection from a European (or other non-U.S.) data protection law perspective, for the purposes described above.

9. Severability. The provisions in this Statement of Terms and Conditions are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

10. Successors. This Statement of Terms and Conditions and the Restricted Stock Unit Agreements shall be binding upon and inure to the benefit of any successor or successors of the Corporation. "Outside Director" as used herein shall include the Outside Director's Beneficiary.

11. Delaware Law. The interpretation, performance, and enforcement of this Statement of Terms and Conditions and all Restricted Stock Unit Agreements shall be governed by the laws of the State of Delaware.

McKESSON CORPORATION
STATEMENT OF TERMS AND CONDITIONS APPLICABLE TO RESTRICTED STOCK UNITS GRANTED TO OUTSIDE DIRECTORS PURSUANT TO THE 2022 STOCK PLAN

I. INTRODUCTION

The following terms and conditions shall apply to Restricted Stock Unit Awards granted under the Plan and are subject to the terms and conditions of the Plan. This Statement of Terms and Conditions is intended to meet the requirements of Code Section 409A and any regulations and rules promulgated thereunder. In the event of any inconsistency between this Statement of Terms and Conditions and the Plan, the Plan shall govern. Capitalized terms not otherwise defined in this Statement of Terms and Conditions shall have the meaning set forth in the Plan.

II. RESTRICTED STOCK UNITS

1. Award Agreement. A Restricted Stock Unit Award granted to an Outside Director under the Plan shall be evidenced by a Restricted Stock Unit Agreement to be executed by the Outside Director and the Corporation setting forth the terms and conditions of the Restricted Stock Unit Award. Each Restricted Stock Unit Grant Notice shall incorporate by reference and be subject to this Statement of Terms and Conditions, including the special terms and conditions in the Appendix for the Outside Director's country (if any) which forms part of this Statement of Terms and Conditions, and together both documents shall constitute the Restricted Stock Unit Agreement. The Restricted Stock Units are also subject to the terms and conditions of the Plan.

2. Terms and Conditions. The Administrator administering the Plan has authority to determine the Outside Directors to whom, and the time or times at which, grants of Restricted Stock Units will be made, the number of Units to be awarded, and all other terms and conditions of such awards. With respect to annual Restricted Stock Unit Awards granted to Outside Directors under the Plan, such awards shall be subject to the following terms, conditions and restrictions.

(A) Grant Date. Each Outside Director may be granted a Restricted Stock Unit Award on the date of each annual meeting of stockholders. An Outside Director that is elected to the Board between annual meetings of stockholders may also be granted a Restricted Stock Unit Award on the date that the Board determines in its sole discretion.

(B) Number of Restricted Stock Units. Unless otherwise determined by the Board or the Governance Committee of the Board (the "Governance Committee"), the number of Restricted Stock Units ("Units") granted for the annual meeting grant will be determined by dividing the Fair Market Value of a Share on the date of grant into $200,000 (with any fractional Unit rounded up to the nearest whole Unit). In addition to such grant, unless otherwise determined by the Board or the Governance Committee, the Independent Chair shall be granted an annual meeting grant determined by dividing the Fair Market Value of a Share on the date of grant into $120,000 (with any fractional Unit rounded up to the nearest whole Unit). Notwithstanding the foregoing, in no event shall the aggregate number of Units granted to any Outside Director pursuant to such annual meeting grant or grants exceed 5,000. A newly elected Outside Director may receive a prorated annual meeting grant effective upon the date of the Outside Director's election to the Board.

(C) No Restrictions. Each Restricted Stock Unit Award granted to an Outside Director will be fully vested on the date of grant.

3. Dividend Equivalents. Dividend equivalents in respect of Restricted Stock Units, if granted in tandem with such Units, will be converted into additional Restricted Stock Units, which will be subject to all of the terms and conditions of the underlying Restricted Stock Unit Award. The number of such additional Restricted Stock Units shall be calculated by dividing (a) the aggregate amount or value of the dividends paid with respect to that number of Shares equal to the number of Restricted Stock Units credited as of the record date for such dividend by (b) the Fair Market Value per Share on the payment date for such dividend.

4. Assignability. An Outside Director shall not be permitted to sell, transfer, pledge, assign or encumber Restricted Stock Units, other than pursuant to a qualified domestic relations order as defined in the Code or Title I of the U.S. Employee Retirement Income Security Act.

5. No Stockholder Rights. Neither an Outside Director nor any person entitled to exercise an Outside Director's rights in the event of the Outside Director's death shall have any of the rights of a stockholder with respect to a Restricted Stock Unit Award except to the extent that a book entry has been entered in the records of the Corporation's transfer agent with respect to the underlying Shares paid upon the settlement of any Restricted Stock Unit Award as described in Section II.6 below.

6. Time of Payment of Restricted Stock Units. Except as noted in Section II.7 below, Restricted Stock Units granted to Outside Directors shall not be paid until after the Outside Director's separation of service with the Corporation ("Automatic Deferral Requirement"). "Separation from service" shall have the meaning provided under the McKesson Corporation Deferred Compensation Administration Plan III ("DCAP III"). Payment shall be made in Shares in the form of an appropriate book entry entered in the records of the Corporation's transfer agent recording the Outside Director's unrestricted interest in the number of Shares subject to the Restricted Stock Unit Award. Any fractional Shares resulting from the accumulation of dividend equivalents shall be paid in cash.

7. Satisfaction of Director Stock Ownership Guidelines. For those Outside Directors who have met the Director Stock Ownership Guidelines in effect at the time, Restricted Stock Unit grants shall not be subject to the Automatic Deferral Requirement and such grants will be immediately converted into Shares and distributed to the Outside Director; provided, however, that the Outside Director may elect to defer receipt of the Shares underlying the Restricted Stock Units.

8. Deferrals of Restricted Stock Units. Deferrals of Restricted Stock Units, whether elective or pursuant to the Automatic Deferral Requirement, shall be subject to the terms and conditions of DCAP III.

III. MISCELLANEOUS

1. No Effect on Terms of Service with the Corporation. Nothing contained in this Statement of Terms and Conditions, the Plan or a Restricted Stock Unit Agreement shall affect the Corporation's right to terminate the service of any Outside Director.

2. Grants to Outside Directors in Foreign Countries. If an Outside Director is not a United States citizen or resident, the Board has the full discretion to deviate from this Statement of Terms and Conditions in order to adjust a Restricted Stock Unit Award to prevailing local conditions, including custom and legal and tax requirements. Furthermore, the Corporation reserves the right to impose other requirements on the Outside Director's participation in the Plan, on the Award and on any Shares acquired under the Plan, to the extent the Corporation determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require the Outside Director to sign any additional agreements or undertaking that may be necessary to accomplish the foregoing.

3. Information Notification. Any information required to be given under the terms of a Restricted Stock Unit Award shall be addressed to the Corporation in care of its Corporate Secretary at McKesson Corporation, 6555 North State Highway 161, Irving, Texas 75039, and any notice to be given to an Outside Director shall be addressed to the Outside Director at the address indicated beneath the Outside Director's name on the Restricted Stock Unit Agreement or such other address as either party may designate in writing to the other. Any such notice shall be deemed to have been duly given when enclosed in a properly sealed envelope or wrapper addressed as aforesaid, registered or certified and deposited (postage or registration or certification fee prepaid) in a post office or branch post office. The parties may use email delivery, so long as the message is clearly marked, sent to the email address(es) set forth herein. Email delivery will be deemed to occur when the sender receives confirmation that such message has been received and read by the recipient. Emails to the Corporation shall be delivered to CorpSecretary@McKesson.com.

4. Electronic Delivery. The Corporation may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Corporation or a third party designated by the Corporation.

5. Administrator Decisions Conclusive. All decisions of the Administrator administering the Plan upon any questions arising under the Plan, under this Statement of Terms and Conditions, or under a Restricted Stock Unit Agreement, shall be conclusive and binding on all persons.

6. No Effect on Other Benefit Plans. Nothing herein contained shall affect an Outside Director's right, if any, to participate in and receive benefits from and in accordance with the then current provisions of any benefit plan or program offered by the Corporation.

7. Withholding. Each Outside Director shall agree to make appropriate arrangements with the Corporation for satisfaction of any applicable federal, state or local income tax withholding requirements or payroll tax requirements, if any is required.

8. Data Privacy Information and Consent.

(A) Data Collection and Usage. The Corporation may collect, process and use certain personal information about the Outside Director, including, but not limited to, the Outside Director's name, home address and telephone number, email address, date of birth, social insurance number, passport or other identification number, salary, nationality, job title, any Shares held in the Corporation, details of all Restricted Stock Units or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in the Outside Director's favor ("Data"), for the purposes of implementing, administering and managing the Plan. The legal basis, where required, for the processing of Data is the Outside Director's consent.

(B) Stock Plan Administration Service Providers. The Corporation transfers Data to Fidelity Stock Plan Services LLC and its affiliated companies, an independent service provider based in the United States, which is assisting the Corporation with the implementation, administration and management of the Plan. The Corporation may select a different service provider or additional service providers and share Data with such other provider serving in a similar manner. The Outside Director may be asked to agree on separate terms and data processing practices with the service provider, with such agreement being a condition to the ability to participate in the Plan.

(C) International Data Transfers. The Corporation and its service providers are based in the United States. The Outside Director's country or jurisdiction may have different data privacy laws and protections than the United States. The Corporation's legal basis, where required, for the transfer of Data is the Outside Director's consent.

(D) Data Retention. The Corporation will hold and use the Data only as long as is necessary to implement, administer and manage the Outside Director's participation in the Plan, or as required to comply with legal or regulatory obligations, including under tax and security laws. In the latter case, the Outside Director understands and acknowledges that the Corporation's legal basis for the processing of the Outside Director's Data would be compliance with the relevant laws or regulations or the pursuit by the Corporation of respective legitimate interests not outweighed by the Outside Director's interests, rights or freedoms. When the Corporation no longer needs the Outside Director's Data for any of the above purposes, the Outside Director understands the Corporation will remove it from its systems.

(E) Voluntariness and Consequences of Consent Denial or Withdrawal. Participation in the Plan is voluntary and the Outside Director is providing the consents herein on a purely voluntary basis. If the Outside Director does not consent, or if the Outside Director later seeks to revoke the Outside Director's consent, the Outside Director's retainer and fees from or services with the Corporation will not be affected; the only consequence of refusing or withdrawing the Outside Director's consent is that the Corporation would not be able to grant Awards to the Outside Director or administer or maintain such Awards.

(F) Data Subject Rights. The Outside Director may have a number of rights under data privacy laws in the Outside Director's jurisdiction. Depending on where the Outside Director is based, such rights may include the right to (i) inquire whether and what kind of Data the Corporation holds about the Outside Director and how it is processed, and to request access or copies of Data the Corporation processes, (ii) request the correction or supplementation of Data about the Outside Director that is inaccurate, incomplete or out-of-date in light of the purposes underlying the processing, (iii) obtain the erasure of Data no longer necessary for the purposes underlying the processing, processed based on withdrawn consent, processed for legitimate interests that, in the context of the Outside Director's objection, do not prove to be compelling, or processed in non-compliance with applicable legal requirements, (iv) request restrictions on processing of Data in certain situations where the Outside Director feels its processing is inappropriate, (v) request portability of the Outside Director's Data that the Outside Director has actively or passively provided to the Corporation (which does not include data derived or inferred from the collected data), where the processing of such Data is based on consent or the Outside Director's service on the Board and is carried out by automated means, (vi) object, in certain circumstances, to the processing of Data for legitimate interests, (vii) lodge complaints with competent authorities in the Outside Director's jurisdiction, and/or (viii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, the Outside Director can contact the Corporate Secretary.

By accepting the Award and indicating consent via the Corporation's acceptance procedure, the Outside Director is declaring that he or she agrees with the data processing practices described herein and consents to the collection, processing and use of Data by the Corporation and the transfer of Data to the recipients mentioned above, including recipients located in countries which do not adduce an adequate level of protection from a European (or other non-U.S.) data protection law perspective, for the purposes described above.

9. Severability. The provisions in this Statement of Terms and Conditions are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

10. Successors. This Statement of Terms and Conditions and the Restricted Stock Unit Agreements shall be binding upon and inure to the benefit of any successor or successors of the Corporation. "Outside Director" as used herein shall include the Outside Director's Beneficiary.

11. Delaware Law. The interpretation, performance, and enforcement of this Statement of Terms and Conditions and all Restricted Stock Unit Agreements shall be governed by the laws of the State of Delaware.

McKESSON CORPORATION
STATEMENT OF TERMS AND CONDITIONS APPLICABLE TO
OPTIONS, RESTRICTED STOCK, RESTRICTED STOCK UNITS
AND PERFORMANCE STOCK UNITS GRANTED TO EXECUTIVE OFFICERS
PURSUANT TO THE 2022 STOCK PLAN

For Grants Beginning April 23, 2024

I. INTRODUCTION

The following terms and conditions shall apply to an Award granted under the Plan and are subject to the terms and conditions of the Plan. This Statement of Terms and Conditions is intended to meet the requirements of Code Section 409A and any rules promulgated thereunder. In the event of any inconsistency between this Statement of Terms and Conditions and the Plan, the Plan shall govern. Capitalized terms not otherwise defined in this Statement of Terms and Conditions shall have the meaning set forth in the Plan.

II. OPTIONS

1. Option Agreement. An Option granted under the Plan shall be evidenced by an Option Agreement setting forth the terms and conditions of the Option, including whether the Option is an Incentive Stock Option or a Nonstatutory Stock Option and the number of Shares subject to the Option. Each Option Grant Notice shall incorporate by reference and be subject to this Statement of Terms and Conditions, including the special terms and conditions in the Appendix for the Participant's country (if any) which forms part of this Statement of Terms and Conditions, and together both documents shall constitute the Option Agreement. The Option is also subject to the terms and conditions of the Plan.

2. Exercise Price. The Exercise Price of an Option, as specified in the Option Agreement, shall be equal to or greater than the Fair Market Value of the Shares underlying the Option on the Grant Date.

3. Option Period. An Option shall be exercisable only during the applicable Option Period, and during such Option Period the exercisability of the Option shall be subject to the vesting provisions of Section II.4 as modified by the rules set forth in Sections II.5 and VI. The Option Period shall be not more than seven years from the Grant Date.

4. Vesting of Right to Exercise Options

(A) Subject to Sections II.5 and VI, an Option shall be exercisable during the Option Period in accordance with the vesting terms and conditions established on the Grant Date and specified in the Option Grant Notice.

(B) Any vested portion of an Option not exercised hereunder shall accumulate and be exercisable at any time on or before the Expiration Date, subject to the rules set forth in Sections II.5 and VI. No Option may be exercised for less than 5% of the total number of Shares then available for exercise under such Option. In no event shall the Corporation be required to issue fractional Shares.

5. Limits on Option Period and Acceleration of Vesting. The Option Period may end before the Expiration Date, and in certain circumstances the vesting schedule of an Option may be accelerated (subject to the provisions of Section VI), as follows:

(A) If a Participant ceases to be a bona fide employee of the Corporation or of its Affiliates during the Option Period for reasons other than for Cause, Long-Term Disability, Normal Retirement, Early Retirement, Severance under the circumstances provided in Section II.5(F)(ii), or death, the Option Period shall end on the earlier of (i) 90 days after the date of the Participant's termination of employment and (ii) the Expiration Date, and in all cases the Option shall be exercisable only to the extent that it was exercisable at the time of such termination of employment. If a Participant is absent from work with the Corporation or an Affiliate because of the Participant's Short-Term Disability or because the Participant is on an approved leave of absence, the Participant shall not be deemed during the period of any such absence, by virtue of such absence alone, to have terminated employment with the Corporation or an Affiliate except as the Administrator may otherwise expressly determine.

(B) Notwithstanding any other provision in this Section II.5, if a Participant's employment is terminated for Cause during the Option Period, the Option Period shall end on the date of such termination of employment and the Option shall thereupon not be exercisable to any extent whatsoever.

(C) If a Participant ceases to be a bona fide employee of the Corporation or of its Affiliates during the Option Period by reason of Long-Term Disability, the vesting schedule of the Participant's Option shall be accelerated, the Option shall become fully exercisable and the Option Period shall end on the earlier of (i) three years after the date of the Participant's termination of employment and (ii) the Expiration Date.

(D) If a Participant ceases to be a bona fide employee of the Corporation or of its Affiliates during the Option Period by reason of Early Retirement, (i) the Option shall be exercisable only to the extent that it was exercisable at the time of such retirement and (ii) the Option Period for that portion of the Option designated as a Nonstatutory Stock Option shall end on the earlier of (a) three years after the date of such retirement and (b) the Expiration Date.

(E) If a Participant ceases to be a bona fide employee of the Corporation or of its Affiliates during the Option Period by reason of Normal Retirement:

(i) If such Normal Retirement occurs prior to the first anniversary of the Grant Date of the Option, such Option shall be subject to the provisions of Section II.5(D) as though the Participant were eligible for Early Retirement; or

(ii) If such Normal Retirement occurs on or after the first anniversary of the Grant Date of an Option, (a) that portion of the Option designated as a Nonstatutory Stock Option shall continue to vest as though the Participant had continued to be employed by the Corporation or one of its Affiliates during such vesting period, and (b) the Option Period for such portion of the Option designated as a Nonstatutory Stock Option shall end on the Expiration Date.

(F) If a Participant ceases to be a bona fide employee of the Corporation or of its Affiliates during the Option Period by reason of Severance, and

(i) The Participant has attained the requirements for Normal Retirement on or prior to the Participant's termination date, then such Option shall be subject to the Normal Retirement provisions of Section II.5(E); or

(ii) The Participant has not attained the requirements for Normal Retirement on or prior to the Participant's termination date, but would have attained the requirements for Normal Retirement within six months after the termination date, and

(a) The first anniversary of the Grant Date of the applicable Award has not occurred on or prior to the termination date, then such Option shall be subject to the Early Retirement provision in Section II.5(D); or

(b) The first anniversary of the Grant Date of the applicable Award has occurred on or prior to the termination date, then (x) that portion of the Option designated as a Nonstatutory Stock Option shall continue to vest as though the Participant had continued to be employed by the Corporation or one of its Affiliates during such vesting period, and (y) the Option Period for such portion of the Option designated as a Nonstatutory Stock Option shall end on the Expiration Date; or

(iii) The Participant has not attained the requirements for Normal Retirement on or prior to the Participant's termination date, and would not have attained the requirements for Normal Retirement within six months after the termination date, then (a) the vesting schedule of the Participant's Option shall be accelerated as to the portion of the Option that would have vested in accordance with the original vesting schedule as though the Participant had continued to be employed by the Corporation or one of its Affiliates six months after the termination date, and (b) the expiration of the Option Period provided in Section II.5(A) shall apply; provided that if the Participant is also eligible for Early Retirement at the time of the termination of employment, then the expiration of the Option Period provided in Section II.5(D) shall apply.

(G) If a Participant should die (i) while in the employ of the Corporation or an Affiliate and (ii) during the Option Period, the vesting schedule of the Participant's Option shall be accelerated and the Option shall become fully exercisable, the Option Period shall end on the earlier of (a) three years after the date of death and (b) the Expiration Date, and the Participant's Beneficiary may exercise the entire unexercised portion of the then exercisable Shares covered by such Option (or any lesser amount) remaining on the date of death.

(H) If a Participant who ceases to be a bona fide employee of the Corporation or an Affiliate is subsequently rehired prior to the expiration of the Participant's Option, then the Option shall continue to remain outstanding until the earlier of (i) such time as the Participant subsequently terminates employment and (ii) the Expiration Date. Upon the Participant's subsequent termination of employment, the post-termination exercise period calculated pursuant to the terms and conditions of this Section II.5 shall be reduced by the number of days between the date of the Participant's initial termination of employment and the Participant's re-hire date; provided, however, that if the rehired Participant continues to be employed by the Corporation or an Affiliate for at least one year from the Participant's rehire date, then the post termination exercise period for the Option shall be determined in accordance with Sections II.5(A) through (G) and shall not be adjusted as described in this Section II.5(H).

6. Method of Exercise. A Participant may exercise an Option with respect to all or any part of the exercisable Shares as follows:

(A) By giving the Corporation, or its authorized representative designated for this purpose, written notice of such exercise specifying the number of Shares as to which the Option is so exercised. Such notice shall be accompanied by an amount equal to the Exercise Price multiplied by the number of Shares exercised, in the form of any one or combination of the following: cash or a certified check, bank draft, postal or express money order payable to the order of the Corporation in lawful money of the United States. Unless otherwise determined by the Administrator in its sole discretion, the Participant may pay the Exercise Price, in whole or in part, by tendering to the Corporation or its authorized representative Shares, which have been owned by the Participant for at least six months prior to said tender, and having a fair market value, as determined by the Corporation, equal to the Exercise Price, or in lieu of the delivery of actual Shares in such tender, the Corporation may accept an attestation by the Participant, in a form prescribed by the Corporation or its authorized representative, that the Participant owns sufficient Shares of record or in an account in street name to satisfy the Exercise Price, and such attestation will be deemed a tender of Shares for purposes of this method of exercise. The Corporation or its authorized representative may accept payment of the amount due upon the exercise of the Option in the form of a Participant's personal check. Payment may also be made by delivery (including by FAX transmission) to the Corporation or its authorized representative of an executed irrevocable Option exercise form together with irrevocable instructions to an approved registered investment broker to sell Shares in an amount sufficient to pay the Exercise Price plus any applicable Tax-Related Items (as defined in Section VIII.6) and to transfer the proceeds of such sale to the Corporation.

(B) If required by the Corporation, by giving satisfactory assurance in writing, signed by the Participant, the Participant shall give the Participant's assurance that the Shares subject to the Option are being purchased for investment and not with a view to the distribution thereof; provided that such assurance shall be deemed inapplicable to (i) any sale of the Shares by such Participant made in accordance with the terms of a registration statement covering such sale, which has heretofore been (or may hereafter be) filed and become effective under the U.S. Securities Act of 1933, as amended (the "Securities Act") and with respect to which no stop order suspending the effectiveness thereof has been issued, and (ii) any other sale of the Shares with respect to which, in the opinion of counsel for the Corporation, such assurance is not required to be given in order to comply with the provisions of the Securities Act.

(C) As soon as practicable after receipt of the notice and the assurance described in Sections II.6(A) and (B), the Corporation shall, without transfer or issue tax (except for withholding tax arrangements contemplated in Section VIII.6) and without other incidental expense to the Participant, credit the purchased Shares to the Participant's brokerage account of record. If the Participant does not have a brokerage account of record, then the Corporation shall cause an appropriate book entry to be entered in the records of the Corporation's transfer agent recording the Participant's unrestricted interest in the purchased Shares; provided, however, that the time of such delivery may be postponed by the Corporation for such period as may be required for it with reasonable diligence to comply with applicable registration requirements under the Securities Act, the Exchange Act, any applicable listing requirements of any national securities exchange and requirements under any other law or regulation applicable to the issuance or transfer of the Shares.

7. Limitations on Transfer. An Option shall, during a Participant's lifetime, be exercisable only by the Participant. No Option or any right granted thereunder shall be transferable by the Participant by operation of law or otherwise, other than by will or the laws of descent and distribution. Notwithstanding the foregoing: (A) unless otherwise determined by the Administrator in its sole discretion, a Participant may designate a beneficiary to succeed, after the Participant's death, to all of the Participant's Options outstanding on the date of death; (B) a Nonstatutory Stock Option may be transferable pursuant to a qualified domestic relations order as defined in the Code or Title I of the U.S. Employee Retirement Income Security Act; and (C) any Participant, who is a senior executive officer recommended by the Chief Executive Officer of the Corporation and approved by the Administrator may voluntarily transfer any Nonstatutory Stock Option to a Family Member as a gift or through a transfer to an entity in which more than 50% of the voting interests are owned by Family Members (or the Participant) in exchange for an interest in that entity. In the event of any attempt by a Participant to alienate, assign, pledge, hypothecate, or otherwise dispose of an Option or of any right thereunder, except as provided herein, or in the event of the levy of any attachment, execution, or similar process upon the rights or interest hereby conferred, the Corporation at its election may terminate the affected Option by notice to the Participant and the Option shall thereupon become null and void.

8. No Stockholder Rights. Neither a Participant nor any person entitled to exercise a Participant's rights in the event of the Participant's death shall have any of the rights of a stockholder with respect to the Shares subject to an Option except to the extent that a book entry has been entered in the records of the Corporation's transfer agent with respect to such Shares upon the exercise of an Option.

III. RESTRICTED STOCK

1. Restricted Stock Agreement. A Restricted Stock Award granted under the Plan shall be evidenced by a Restricted Stock Agreement to be executed by the Participant and the Corporation setting forth the terms and conditions of the Restricted Stock Award. Each Restricted Stock Grant Notice shall incorporate by reference and be subject to this Statement of Terms and Conditions, including the special terms and conditions in the Appendix for the Participant's country (if any) which forms part of this Statement of Terms and Conditions, and together both documents shall constitute the Restricted Stock Agreement. The Restricted Stock Award is also subject to the terms and conditions of the Plan.

2. Rights with Respect to Shares of Restricted Stock Upon written acceptance of a Restricted Stock Award by a Participant, including the restrictions and other terms and conditions described in the Plan and the Restricted Stock Agreement, the Corporation shall cause an appropriate book entry to be entered in the records of the Corporation's transfer agent recording the Participant's interest in the Restricted Stock. From and after the Grant Date, the Participant shall have the rights of Common Stock ownership, including the right to vote and to receive dividends on Shares of Restricted Stock, subject to the terms, conditions and restrictions described in the Plan and the Restricted Stock Agreement.

3. Special Restrictions. Each Restricted Stock Award made under the Plan shall be subject to the following terms, conditions and restrictions and such additional terms, conditions and restrictions as may be determined by the Administrator; provided, however, that no Restricted Stock grant shall be subject to additional terms, conditions and restrictions which are more favorable to a Participant than the terms, conditions and restrictions set forth elsewhere in the Plan or the Restricted Stock Agreement.

(A) Restrictions. Until the restrictions imposed on any Restricted Stock grant shall lapse (the "Restriction Period"), Shares of Restricted Stock granted to a Participant (i) shall not be sold, assigned, transferred, pledged, hypothecated, or otherwise disposed of, other than pursuant to a qualified domestic relations order as defined in the Code or Title I of the U.S. Employee Retirement Income Security Act and (ii) shall, if the Participant's continuous employment with the Corporation or any of its Affiliates shall terminate for any reason (except as otherwise provided in the Plan, or in Section III.3(B) or Section III.3(C)) be returned to the Corporation forthwith, and all the rights of the Participant to such Shares shall immediately terminate. If a Participant is absent from work with the Corporation or an Affiliate because of the Participant's Short-Term Disability or because the Participant is on an approved leave of absence, the Participant shall not be deemed during the period of any such absence, by virtue of such absence alone, to have terminated employment with the Corporation or an Affiliate except as the Administrator may otherwise expressly determine.

(B) Termination of Employment by Reason of Death, Long-Term Disability or Normal Retirement. Notwithstanding any provision to the contrary contained in the Restricted Stock Grant Notice, if a Participant who has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date of a Restricted Stock Award ceases to be a bona fide employee of the Corporation or an Affiliate as a result of:

(i) Death or Long-Term Disability, then the restrictions imposed on any Restricted Stock Award shall lapse as to all Shares granted to such Participant pursuant to such Restricted Stock Award on the date of such termination; or

(ii) Normal Retirement on or after the first anniversary of the Grant Date of any time-vesting Restricted Stock Award, the restrictions applicable to such Restricted Stock Award shall continue to lapse at such time(s) as are set forth in the applicable Grant Notice, as though the Participant had continued to be employed by the Corporation or one of its Affiliates during such restricted period; provided, that notwithstanding any other provision of the Plan or this Statement of Terms and Conditions, this Section III.3(B)(ii) shall not apply to any Restricted Stock Award the vesting of which is based, in whole or in part, on attainment of performance objectives. The procedures set forth in Section VIII.6 will be applied for any taxes due upon the lapse of restrictions imposed on a Restricted Stock Award due to a Participant's Normal Retirement eligibility.

(C) Termination of Employment by Reason of Severance. Notwithstanding any provision to the contrary contained in the Restricted Stock Grant Notice, if a Participant who has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date of a Restricted Stock Award ceases to be a bona fide employee of the Corporation or an Affiliate as a result of Severance, and:

(i) The Participant either (a) has attained the requirements for Normal Retirement on or prior to the Participant's termination date or (b) would have attained the requirements for Normal Retirement within six months after the Participant's termination date, then any time-vesting Restricted Stock Award shall be subject to the Normal Retirement provisions of Section III.3(B)(ii); or

(ii) The Participant has not attained the requirements for Normal Retirement on or prior to the Participant's termination date, and would not have attained the requirements for Normal Retirement within six months after the Participant's termination date, then the restrictions applicable to any time-vesting Restricted Stock Award shall lapse upon the Participant's termination date, as to such Shares of Restricted Stock that would have vested at such time(s) as are set forth in the applicable Grant Notice as if the Participant had continued to be employed by the Corporation or one of its Affiliates during the six-month period after the Participant's termination date.

Notwithstanding the foregoing, this Section III.3(C) shall not apply to any Restricted Stock Award the vesting of which is based, in whole or in part, on attainment of performance objectives. The procedures set forth in Section VIII.6 will be applied for any taxes due upon the lapse of restrictions imposed on a Restricted Stock Award due to a Participant's Normal Retirement eligibility.

(D) Restriction on Sale. The Administrator reserves the right to impose a restriction on the sale of Shares that the Participant receives upon the vesting and settlement of a Restricted Stock Award, unless the Participant has satisfied the ownership targets applicable to the Participant as provided in the Stock Ownership Policy.

4. Dividends. Cash dividends paid with respect to Restricted Stock during the Restriction Period shall be credited on behalf of the Participant to a deferred cash account (in a manner designed to comply with Code Section 409A) and the restrictions on such cash dividends shall lapse at the same time that the restrictions lapse on the associated Restricted Stock Award. Stock dividends paid with respect to Restricted Stock during the Restriction Period shall be treated as Restricted Stock which shall be subject to the same restrictions as the original award for the duration of the Restriction Period.

5. Election to Recognize Gross Income in the Year of Grant If any Participant who is a U.S. taxpayer validly elects within 30 days of the Grant Date, to include in gross income for federal income tax purposes an amount equal to the fair market value of the Shares of Restricted Stock granted on the Grant Date, such Participant shall (at the same time or prior to the date that the Participant files the Participant's election with the Internal Revenue Service) (A) pay to the Corporation, or make arrangements satisfactory to the Administrator to pay to the Corporation in the year of such grant, any federal, state or local taxes required to be withheld with respect to such Shares in accordance with Section VIII.6, and (B) provide the Administrator with a copy of the election filed with the Internal Revenue Service.

6. Restrictive Legend. Each book entry in the records of the Corporation's transfer agent evidencing Shares granted pursuant to a Restricted Stock grant may bear an appropriate legend referring to the terms, conditions and restrictions described in the Plan and/or the Restricted Stock Agreement.

7. Expiration of Restriction Period. If and when the Restriction Period applicable to the Restricted Stock expires without a prior forfeiture, Shares shall be credited to the Participant's brokerage account of record. If the Participant does not have a brokerage account of record, then an appropriate book entry recording the Participant's interest in the unrestricted Shares shall be entered on the records of the Corporation's transfer agent.

IV. RESTRICTED STOCK UNITS

1. Restricted Stock Unit Agreement. Restricted Stock Units granted under the Plan shall be evidenced by a Restricted Stock Unit Agreement to be executed by the Participant and the Corporation setting forth the terms and conditions of the Restricted Stock Units. Each Restricted Stock Unit Grant Notice shall incorporate by reference and be subject to this Statement of Terms and Conditions, including the special terms and conditions in the Appendix for the Participant's country (if any) which forms part of this Statement of Terms and Conditions, and together both documents shall constitute the Restricted Stock Unit Agreement. The Restricted Stock Units are also subject to the terms and conditions of the Plan.

2. Special Restrictions. Restricted Stock Units granted under the Plan shall be subject to the following terms, conditions and restrictions and such additional terms, conditions and restrictions as may be determined by the Administrator, consistent with the terms of the Plan.

(A) Restrictions. If a Participant ceases to be a bona fide employee of the Corporation or any Affiliate (except as otherwise provided in the Plan, or in Section IV.2(B) or Section IV.2(C)) prior to the lapse of the restrictions imposed on the Award, the unvested Restricted Stock Units shall be canceled, and all the rights of the Participant to such Awards shall immediately terminate. If a Participant is absent from work with the Corporation or an Affiliate because of the Participant's Short-Term Disability or because the Participant is on an approved leave of absence, the Participant shall not be deemed during the period of any such absence, by virtue of such absence alone, to have terminated employment with the Corporation or an Affiliate except as the Administrator may otherwise expressly determine.

(B) Termination of Employment by Reason of Death, Long-Term Disability or Normal Retirement. Notwithstanding any provision contained to the contrary in the Restricted Stock Unit Grant Notice, if a Participant who has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date of such Award ceases to be a bona fide employee of the Corporation or an Affiliate as a result of:

(i) Death or Long-Term Disability, then the restrictions imposed on any Award of Restricted Stock Units shall lapse on the date of such termination; or

(ii) Normal Retirement on or after the first anniversary of the Grant Date of any time-vesting Restricted Stock Units, the restrictions applicable to such Restricted Stock Units shall continue to lapse at such time(s) as are set forth in the applicable Grant Notice, as though the Participant had continued to be employed by the Corporation or one of its Affiliates during such restricted period.

(C) Termination of Employment by Reason of Severance. Notwithstanding any provision to the contrary contained in the Restricted Stock Unit Grant Notice, if a Participant who has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date of a Restricted Stock Unit Award ceases to be a bona fide employee of the Corporation or an Affiliate as a result of Severance, and:

(i) The Participant either (a) has attained the requirements for Normal Retirement on or prior to the Participant's termination date or (b) would have attained the requirements for Normal Retirement within six months after the Participant's termination date, then any time-vesting Restricted Stock Unit Award shall be subject to the Normal Retirement provisions of Section IV.2(B)(ii); or

(ii) The Participant has not attained the requirements for Normal Retirement on or prior to the Participant's termination date, and would not have attained

the requirements for Normal Retirement within six months after the Participant's termination date, then the restrictions applicable to any time-vesting Restricted Stock Unit Award shall lapse upon the termination date, as to such Restricted Stock Units that would have vested at such time(s) as are set forth in the applicable Grant Notice as if the Participant had continued to be employed by the Corporation or one of its Affiliates during the six-month period after the termination date.

(D) Restriction on Sale. The Administrator reserves the right to impose a restriction on the sale of Shares that the Participant receives upon the settlement of Restricted Stock Units, unless the Participant has satisfied the ownership targets applicable to the Participant as provided in the Stock Ownership Policy.

3. Dividend Equivalents. Subject to the discretion of the Compensation Committee, dividend equivalents shall be credited in respect of Restricted Stock Units. Cash dividends shall be credited on behalf of the Participant to a deferred cash account (in a manner designed to comply with Code Section 409A) and the restrictions on such cash dividends shall lapse at the same time that the restrictions lapse on the associated Award of Restricted Stock Units, and cash dividends shall be paid in a lump sum at the same time that the Shares underlying the Restricted Stock Unit Award, and to which the cash dividends relate, are distributed. Stock dividends shall be converted into additional Restricted Stock Units, which will be subject to all of the terms and conditions of the underlying Restricted Stock Units, including the same vesting restrictions as the underlying Award.

4. Assignability. A Participant shall not be permitted to sell, transfer, pledge, assign or encumber Restricted Stock Units, other than pursuant to a qualified domestic relations order as defined in the Code or Title I of the U.S. Employee Retirement Income Security Act.

5. No Stockholder Rights. Neither a Participant nor any person entitled to exercise a Participant's rights in the event of the Participant's death shall have any of the rights of a stockholder with respect to an Award of Restricted Stock Units except to the extent that a book entry has been entered in the records of the Corporation's transfer agent with respect to the Shares paid upon the settlement of any vested Restricted Stock Units.

6. Time of Payment of Restricted Stock Units. Upon the lapse of the restriction imposed on Restricted Stock Units, all Restricted Stock Units that were not forfeited pursuant to Section IV.2(A), Section IV.2(B)(i), Section IV.2(C)(i), or Section VI shall be paid to the Participant as soon as reasonably practicable after the restrictions lapse. Payment shall be made in Shares to the Participant's brokerage account of record. If the Participant does not have a brokerage account of record, then in the form of an appropriate book entry entered in the records of the Corporation's transfer agent recording the Participant's unrestricted interest in the number of Shares subject to the Restricted Stock Units.

Notwithstanding the foregoing, if a Participant becomes eligible for Normal Retirement, or is eligible for additional vesting under Section IV.2(C)(ii), prior to the date of the lapse of restrictions imposed on Restricted Stock Units and the vesting provisions of Section IV.2(B)(ii) or Section IV.2(C)(ii) apply, then such Restricted Stock Units shall be paid to the Participant's brokerage account of record as soon as reasonably practicable after the earlier of the Participant's Separation from Service or the originally scheduled vesting date (in any event before the end of the calendar year in which such date occurs), subject to the delay of payment (if applicable) provided in Section VIII.14. The procedures set forth in Section VIII.6 will be applied for any taxes due upon the lapse of restrictions imposed on a Restricted Stock Unit Award due to a Participant's Normal Retirement eligibility or additional vesting as provided in Section IV.2(C)(ii).

V. PERFORMANCE STOCK UNITS

1. Award Agreement. Performance Stock Unit Awards shall be evidenced by a Performance Stock Unit Agreement to be executed by the Participant and the Corporation setting forth the terms and conditions of the Performance Stock Unit Award. Performance Stock Unit Awards are "Performance Awards" as provided under Section 10 of the Plan. Each Performance Stock Unit Agreement shall incorporate by reference and be subject to this Statement of Terms and Conditions, including the special terms and conditions in the Appendix for the Participant's country (if any) which forms part of this Statement of Terms and Conditions, and together both documents shall constitute the Performance Stock Unit Agreement. Performance Stock Unit Awards are also subject to the terms and conditions of the Plan.

2. Number of Shares Granted Based on Performance. The performance period of a Performance Stock Unit Award shall be greater than one year, and performance shall be based on such criteria as the Compensation Committee shall determine in its discretion at the beginning of the performance period. Following the end of the performance period, the Compensation Committee shall determine the extent to which the criteria have been achieved, and shall authorize the grant and issuance of Shares in respect of the Performance Stock Unit Award.

3. Special Conditions. Performance Stock Unit Awards shall be subject to the following terms, conditions and restrictions and such additional terms, conditions and restrictions as may be determined by the Compensation Committee, consistent with the terms of the Plan.

(A) Forfeiture. If a Participant ceases to be a bona fide employee of the Corporation or any Affiliate (except as otherwise provided in the Plan or in Section V.3(B) or Section V.3(C)) prior to the end of the performance period, any then-outstanding Performance Stock Units shall be canceled, and all the rights of the Participant to such Award shall immediately terminate. If a Participant is absent from work with the Corporation or an Affiliate because of the Participant's Short-Term Disability or because the Participant is on an approved leave of absence, the Participant shall not be deemed during the period of any such absence, by virtue of such absence alone, to have terminated employment with the Corporation or an Affiliate except as the Compensation Committee may otherwise expressly determine.

(B) Termination of Employment by Reason of Death, Long-Term Disability or Normal Retirement. Notwithstanding any provision contained herein or in the Plan or the Award Agreement to the contrary, if a Participant who has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date of such Award ceases to be a bona fide employee of the Corporation or an Affiliate as a result of:

(i) Death or Long-Term Disability, the Participant shall be eligible to receive, following completion of the applicable performance period, a prorated portion of each such Performance Stock Unit Award, equal to (1) the target number of Performance Stock Units subject to such Award, *multiplied by* (2) the performance criteria determined by the Compensation Committee to apply to such Award, *multiplied by* (3) a fraction, the numerator of which is the number of whole calendar months, rounded down to the nearest whole month, during which the Participant provided Service to the Corporation or an Affiliate during the performance period applicable to such Award, and the denominator of which is the number of calendar months in such performance period; provided, that for purposes of this clause (3), "whole calendar months" shall be calculated commencing on the applicable Grant Date; provided, however, that in no event shall such amount exceed any applicable cap or limitation set forth in the Performance Stock Unit Grant Notice; or

(ii) Normal Retirement on or after the first anniversary of the Grant Date, the Participant shall be eligible to vest in such Performance Stock Unit Award following completion of the applicable performance period, as though the Participant had continued to be employed by the Corporation or one of its Affiliates through the date on which the Compensation Committee determines performance against the applicable performance goals.

Amounts, if any, to be paid under this Section V.3(B) shall be paid in accordance with Section V.7 and, if applicable, Section VIII.14.

(C) Termination of Employment by Reason of Severance. Notwithstanding any provision to the contrary, if the Participant has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date and ceases to be a bona fide employee of the Corporation or an Affiliate as a result of Severance, and:

(i) The Participant either (a) has attained the requirements for Normal Retirement on or prior to the Participant's termination date or (b) would have attained the requirements for Normal Retirement within six months after the Participant's termination date, then any Performance Stock Unit Award shall be subject to the Normal Retirement provisions of Section V.3(B)(ii); or

(ii) The Participant has not attained the requirements for Normal Retirement on or prior to the Participant's termination date, and would not have attained the requirements for Normal Retirement within six months after the Participant's termination date, then if such Participant's termination date is no greater than six months prior to the date on which the Compensation Committee determines performance against the applicable performance goals, such Participant shall be eligible to vest in such Performance Stock Unit Award following completion of the applicable performance period, as though the Participant had continued to be employed by the Corporation or one of its Affiliates through such performance determination date.

Amounts, if any, to be paid under this Section V.3(C) shall be paid in accordance with Section V.7 and, if applicable, Section VIII.14.

(D) Restriction on Sale of Shares. The Administrator reserves the right to impose a restriction on the sale of Shares that the Participant receives with respect to the settlement of a Performance Stock Unit Award, unless the Participant has satisfied the ownership targets applicable to the Participant as provided in the Stock Ownership Policy.

4. Dividend Equivalents. Unless otherwise determined by the Compensation Committee in its sole discretion, Dividend Equivalents shall not be accrued with respect to Performance Stock Unit Awards during the performance period.

5. Assignability. A Participant shall not be permitted to sell, transfer, pledge, assign or encumber all or any portion of a Performance Stock Unit Award.

6. No Stockholder Rights. Neither a Participant nor any person entitled to exercise a Participant's rights in the event of the Participant's death shall have any of the rights of a stockholder with respect to a Performance Stock Unit Award, except to the extent that a book entry has been entered in the records of the Corporation's transfer agent with respect to the Shares paid upon the settlement of any Performance Stock Unit Award.

7. Time of Payment of Performance Stock Units. The Compensation Committee shall determine the extent to which Shares are payable pursuant to a Performance Stock Unit Award as soon as practicable following the end of the performance period, and such Shares shall be paid as soon as practicable thereafter and in any event no later than the end of the period under which payment would be deemed to be a "short-term deferral" as defined in the regulations under Code Section 409A. Payment shall be made in the form of Shares to the Participant's brokerage account of record. If the Participant does not have a brokerage account of record, then in the form of an appropriate book entry entered in the records of the Corporation's transfer agent recording the Participant's unrestricted interest in the number of Shares earned pursuant to the Performance Stock Unit Award.

VI. SPECIAL FORFEITURE AND REPAYMENT RULES

Any other provision of this Statement of Terms and Conditions to the contrary notwithstanding, if the Administrator determines that a Participant has engaged in any of the actions described in 3 below, the consequences set forth in 1 and 2 below shall result:

1. Any outstanding Option shall immediately and automatically terminate, be forfeited and shall cease to be exercisable, without limitation. In addition, any Award of Restricted Stock or Restricted Stock Units as to which the restrictions have not lapsed shall immediately and automatically be forfeited, Performance Stock Unit Awards shall immediately and automatically be forfeited and any such Shares of Restricted Stock shall be returned to the Corporation and all of the rights of the Participant to such Awards and the underlying Shares shall immediately terminate.

2. If the Participant exercised an Option within 12 months prior to the date upon which the Corporation discovered that the Participant engaged in any actions described in 3 below, the Participant, upon written notice from the Corporation, shall immediately pay to the Corporation the economic value realized or obtained by the exercise of such Option measured at the date of exercise. In addition, if the restrictions imposed on any Award of Restricted Stock or Restricted Stock Units (including any unpaid dividends or Dividend Equivalents) lapsed, or any Performance Stock Unit Award was settled, within 12 months prior to the date the Corporation discovered that the Participant engaged in any action described in 3 below, the Participant, upon written notice from the Corporation, shall immediately pay to the Corporation the economic value realized or obtained with respect to such Award, measured at the date such Award vested.

3. The consequences described in 1 and 2 above shall apply if the Participant, either before or after termination of employment with the Corporation or its Affiliates:

(A) Discloses to others, or takes or uses for the Participant's own purpose or the purpose of others, any trade secrets, confidential information, knowledge, data or know-how or any other proprietary information or intellectual property belonging to the Corporation or its Affiliates and obtained by the Participant during the term of the Participant's employment, whether or not they are the Participant's work product. Examples of such confidential information or trade secrets include, without limitation, customer lists, supplier lists, pricing and cost data, computer programs, delivery routes, advertising plans, wage and salary data, financial information, research and development plans, processes, equipment, product information and all other types and categories of information as to which the Participant knows or has reason to know that the Corporation or its Affiliates intends or expects secrecy to be maintained;

(B) Fails to promptly return all documents and other tangible items belonging to the Corporation or its Affiliates in the Participant's possession or control, including all complete or partial copies, recordings, abstracts, notes or reproductions of any kind made from or about such documents or information contained therein, upon termination of employment, whether pursuant to retirement or otherwise;

(C) Fails to provide the Corporation with at least 30 days' written notice prior to directly or indirectly engaging in, becoming employed by, or rendering services, advice or assistance to any business in competition with the Corporation or its Affiliates. As used herein, "business in competition" means any person, organization or enterprise which is engaged in or is about to become engaged in any line of business engaged in by the Corporation or its Affiliates at the time of the termination of the Participant's employment with the Corporation or its Affiliates;

(D) Fails to inform any new employer, before accepting employment, of the terms of this paragraph and of the Participant's continuing obligation to maintain the confidentiality of the trade secrets and other confidential information belonging to the Corporation or its Affiliates and obtained by the Participant during the term of the Participant's employment with the Corporation or any of its Affiliates;

(E) Induces or attempts to induce, directly or indirectly, any of the customers of the Corporation or its Affiliates, employees, representatives or consultants to terminate, discontinue or cease working with or for the Corporation or its Affiliates, or to breach any contract with the Corporation or any of its Affiliates, in order to work with or for, or enter into a contract with, the Participant or any third party;

(F) Engages in conduct which is not in good faith and which disrupts, damages, impairs or interferes with the business, reputation or employees of the Corporation or its Affiliates; or

(G) Fails to meet the Participant's continuing obligations with respect to non-disclosure, non-competition and/or non-solicitation under the Participant's agreement with the Corporation or any Affiliate.

The Administrator shall determine in its sole discretion whether the Participant has engaged in any of the acts set forth in (A) through (G) above, and its determination shall be conclusive and binding on all interested persons.

Any provision of this Section VI which is determined by a court of competent jurisdiction to be invalid or unenforceable should be construed or limited in a manner that is valid and enforceable and that comes closest to the business objectives intended by such invalid or unenforceable provision, without invalidating or rendering unenforceable the remaining provisions of this Section VI.

VII. CHANGE IN CONTROL

If as a result of a Change in Control, the Common Stock ceases to be listed for trading on a national securities exchange (an "Exchange"), any Option, Restricted Stock Award, Restricted Stock Unit Award or Performance Stock Unit Award that is unvested on the effective date of the Change in Control shall continue to vest according to the terms and conditions of such Award, provided that such Award is replaced with an award for voting securities of the resulting corporation or the acquiring corporation, as the case may be, (including without limitation, the voting securities of any corporation which as a result of the Change in Control owns the Corporation or all or substantially all of the Corporation's assets either directly or through one or more subsidiaries) (the "Surviving Company") which are traded on an Exchange (a "Replacement Award"), which Replacement Award, (i) in the case of an Option, shall consist of an option with the number of underlying shares and exercise price determined in a manner consistent with Code Section 424(a) with vesting and any other terms continuing in the same manner as the replaced Option; (ii) in the case of a Performance Stock Unit Award, shall consist of restricted stock or restricted stock units with a value (determined using the Surviving Company's stock price as of the effective date of the Change in Control) equal to the value of the Performance Stock Unit Award (determined using the Corporation's stock price and assuming attainment of target performance or actual performance achieved, if greater, as of the effective date of the Change in Control), with any restrictions on such Replacement Award lapsing at the end of the measuring period over which performance for the replaced Performance Stock Unit Award was to be measured prior to the granting of the Replacement Award; and (iii) in the case of a Restricted Stock Award or Restricted Stock Unit Award, shall consist of restricted stock or restricted stock units with a value (determined using the Surviving Company's stock price as of the effective date of the Change in Control) equal to the value of the Restricted Stock Award or Restricted Stock Unit Award (determined using the Corporation's stock price as of the effective date of the Change in Control), with any restrictions on such restricted stock or restricted stock units lapsing at the same time and manner as the replaced Award; provided, however, that in the event of the Participant's involuntary Separation from Service by the Corporation without Cause or Separation from Service by the Participant for Good Reason during the vesting period of any Replacement Award, the Replacement Award shall immediately vest and be paid as soon as practicable following such Separation from Service (subject to Section VIII.14), based on the fair market value of the underlying shares on the vesting date, or in the case of options, based on the excess of the fair market value of the underlying shares over the option exercise price on the vesting date. If any Option, Restricted Stock Award, Restricted Stock Unit Award or Performance Stock Unit Award that is unvested at the effective time of the Change in Control is not replaced with a Replacement Award, such Award shall immediately vest and, in the case of a Performance Stock Unit Award, shall vest based upon deemed attainment of target performance or actual performance achieved, if greater.

If as a result of a Change in Control, the Common Stock continues to be listed for trading on an Exchange, any unvested Option, Restricted Stock Award, or Restricted Stock Unit Award shall continue to vest according to the terms and conditions of such Award and any Performance Stock Unit Award shall be replaced with a Restricted Stock Unit Award where the number of shares subject to such Restricted Stock Unit Award shall be equal to the number of Shares assuming attainment of target performance or actual performance achieved, if greater, as of the effective date of the Change in Control with any restrictions on such Restricted Stock Unit Award lapsing at the end of the measuring period over which performance for the replaced Performance Stock Unit Award was to be measured prior to the granting of the Replacement Award; provided however, that, in the event of the Participant's involuntary Separation from Service by the Corporation without Cause or Separation from Service by the Participant for Good Reason during the vesting period of an Award, such Award shall immediately vest and be paid as soon as practicable following such Separation from Service (subject to Section VIII.14).

VIII. MISCELLANEOUS

1. No Effect on Terms of Employment. Participation in the Plan shall not create a right to further employment with the Participant's employer (the "Employer") and shall not interfere with the ability of the Employer to terminate, with or without cause, or change the terms of employment of a Participant at any time.

2. Grants to Participants in Foreign Countries. In making grants to Participants in foreign countries, the Administrator has the full discretion to deviate from this Statement of Terms and Conditions in order to adjust grants under the Plan to prevailing local conditions, including custom and legal and tax requirements. Furthermore, the Corporation reserves the right to impose other requirements on the Participant's participation in the Plan on the Award and on any Shares acquired under the Plan, to the extent the Corporation determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require the Participant to sign any additional agreements or undertaking that may be necessary to accomplish the foregoing.

3. Information Notification. Any information required to be given under the terms of an Award shall be addressed to the Corporation in care of its Corporate Secretary at McKesson Corporation, 6555 North State Highway 161, Irving, Texas 75039, and any notice to be given to a Participant shall be addressed to such Participant at the address indicated beneath the Participant's name on the Award Agreement or such other address as either party may designate in writing to the other. Any such notice shall be deemed to have been duly given when enclosed in a properly sealed envelope or wrapper addressed as aforesaid, registered or certified and deposited (postage or registration or certification fee prepaid) in a post office or branch post office. The parties may use email delivery, so long as the message is clearly marked, sent to the email address(es) set forth herein, and a delivery receipt and a read receipt are made part of the message. Email delivery will be deemed to occur when the sender receives confirmation that such message has been received and read by the recipient. Emails to the Corporation shall be delivered to CorpSecretary@McKesson.com.

4. Administrator Decisions Conclusive. All decisions of the Administrator administering the Plan upon any questions arising under the Plan or under an Award Agreement, shall be conclusive and binding on all interested persons.

5. No Effect on Other Benefit Plans. Nothing herein contained shall affect a Participant's right to participate in and receive benefits from and in accordance with the then current provisions of any pensions, insurance or other employment welfare plan or program offered by the Corporation.

6. Withholding. Regardless of any action the Corporation or the Employer takes with respect to any federal, state or local income tax, social insurance contributions, payroll tax, payment on account or other tax-related items related to the Participant's participation in the Plan and legally applicable to the Participant ("Tax-Related Items"), the Participant acknowledges that the ultimate liability for all Tax-Related Items is and remains the Participant's responsibility and may exceed the amount actually withheld by the Corporation or the Employer. The Participant further acknowledges that the Corporation and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Award, including the grant, vesting, settlement or exercise of the Award, as applicable, the subsequent sale of Shares acquired pursuant to the Plan and the receipt of any dividends and/or dividend equivalents; and (2) do not commit and are under no obligation to structure the terms of the grant or any aspect of the Award to reduce or eliminate the Participant's liability for Tax-Related Items or achieve any particular tax result. Further, if the Participant has become subject to tax in more than one jurisdiction between the Grant Date and the date of any relevant taxable event, the Participant acknowledges that the Corporation and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, as applicable, the Participant will pay or make adequate arrangements satisfactory to the Corporation and/or the Employer, or their respective agents, at their discretion, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following: (1) withholding from the Participant's wages or other cash compensation paid to the Participant by the Corporation and/or the Employer; (2) withholding from proceeds of the sale of Shares acquired under the Plan either through a voluntary sale or through a mandatory sale arranged by the Corporation (on the Participant's behalf pursuant to this authorization and any other authorization the Corporation and/or the broker designated by the Corporation may require the Participant to sign in connection with the sale of Shares); (3) withholding Shares to be issued upon grant, vesting/settlement or exercise, as applicable; or (4) any other method of withholding determined by the Corporation and to the extent required by applicable law or the Plan, approved by the Compensation Committee. Calculation of the number of Shares to be withheld shall be made based on the closing price of the Common Stock on the New York Stock Exchange on the date that the amount of tax to be withheld is determined. In no event, however, shall the Corporation be required to issue fractional Shares. With respect to an Award other than an Option, if adequate arrangements to satisfy the obligations with regard to all Tax-Related Items are not made by the Participant with the Corporation and/or the Employer prior to the relevant taxable event, the Corporation will satisfy such obligations as provided above in clause (3) of this paragraph.

The Corporation or the Employer may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates, including maximum applicable rates in the Participant's jurisdictions(s). If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, the Participant will be deemed to have been issued the full number of Shares subject to the Award, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of the Participant's participation in the Plan. In the event any excess amounts are withheld to satisfy the obligation for Tax-Related Items, the Participant may be entitled to receive a refund of any over-withheld amount (with no entitlement to the Share equivalent), or if not refunded by the Corporation or the Employer, the Participant must seek a refund from the local tax authorities to the extent the Participant wishes to recover the over-withheld amount in the form of a refund. In the event of under-withholding, the Participant may be required to pay any additional Tax-Related Items directly to the applicable tax authority or to the Corporation and/or the Employer.

Finally, the Participant shall pay to the Corporation or the Employer any amount of Tax-Related Items that the Corporation or the Employer may be required to withhold or account for as a result of the Participant's participation in the Plan that cannot be satisfied by the means previously described. The Corporation may refuse to issue or deliver the Shares or the proceeds of the sale of Shares if the Participant fails to comply with the Participant's obligations in connection with the Tax-Related Items.

The Administrator shall be authorized to establish such rules, forms and procedures as it deems necessary to implement the foregoing.

7. Successors. The Award Agreements shall be binding upon and inure to the benefit of any successor or successors of the Corporation. "Participant" as used herein shall include the Participant's Beneficiary.

8. Delaware Law. The interpretation, performance, and enforcement of all Award Agreements shall be governed by the laws of the State of Delaware.

9. Nature of Grant. In accepting the grant, the Participant acknowledges that:

(A) the Plan is established voluntarily by the Corporation, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Corporation at any time;

(B) the grant of the Award is exceptional, voluntary and occasional and does not create any contractual or other right to receive future Award grants, or benefits in lieu of Awards, even if Awards have been granted repeatedly in the past;

(C) all decisions with respect to future Awards, if any, will be at the sole discretion of the Corporation;

(D) the Participant is voluntarily participating in the Plan;

(E) the Award and the Shares subject to the Award, and the income from and value of same, are not part of normal or expected compensation for any purpose, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments;

(F) the Award will not be interpreted to form an employment contract or relationship with the Corporation; and furthermore, the Award will not be interpreted to form an employment contract with any subsidiary or Affiliate of the Corporation;

(G) the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;

(H) if the underlying Shares do not increase in value, the Options will have no value;

(I) no claim or entitlement to compensation or damages shall arise from forfeiture of the Award or the recovery by the Corporation of any Shares underlying the Award resulting from (i) termination of the Participant's employment with the Employer or the Corporation or one of its Affiliates (for any reason whatsoever, and whether or not such forfeiture is later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment agreement, if any) and/or (ii) the application of any clawback or compensation recoupment policy as described in Section 15 below; and in consideration of the grant of the Award to which the Participant is not otherwise entitled, the Participant irrevocably releases the Corporation or its Affiliates from any such claim that may arise; provided that, notwithstanding the foregoing, in the event any such claim is found by a court of competent jurisdiction to have arisen, then, by accepting the Award, the Participant shall be deemed irrevocably to have waived the Participant's entitlement to pursue such claim;

(J) for purposes of an Award, the Participant's employment relationship will be considered terminated as of the date the Participant is no longer a bona fide employee of the Corporation, the Employer or one of the Corporation's other Affiliates (regardless of the reason for such termination and whether or not later found to be invalid or in breach of the employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment agreement, if any), and unless otherwise expressly provided in this Award Agreement or determined by the Corporation in its sole discretion, the Participant's right to receive Awards and vest in Awards under the Plan, if any, will terminate effective as of such date and will not be extended by any notice period mandated under local law (for example, the Participant's period of service would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment agreement, if any); similarly, any right to exercise Options under the Plan after termination of employment will be measured as of the date the Participant is no longer a bona fide employee of the Corporation, the Employer or one of the Corporation's other Affiliates and will not be extended by any notice period mandated under local law; the Administrator shall have the sole discretion to determine when the Participant is no longer a bona fide employee for purposes of an Award (including whether the Participant may still be considered to be providing services while on a leave of absence);

(K) the Corporation is not providing any tax, legal or financial advice, nor is the Corporation making any recommendations regarding participation in the Plan or the Participant's acquisition or sale of Shares; and

(L) the Participant is hereby advised to consult with the Participant's own personal tax, legal and financial advisors regarding Participant's participation in the Plan before taking any action related to the Plan.

10. ***Data Privacy Information and Consent.***

(A) ***Data Collection and Usage. The Corporation and the Employer may collect, process and use certain personal information about the Participant, including, but not limited to, the Participant's name, home address and telephone number, email address, date of birth, social insurance number, passport or other identification number, salary, nationality, job title, any Shares or directorships held in the Corporation, details of all Options, Restricted Stock, Restricted Stock Units, Performance Stock Units, Other Share-Based Awards, or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in the Employee's favor ("Data"), for the purposes of implementing, administering and managing the Plan. The legal basis, where required, for the processing of Data is the Participant's consent.***

(B) ***Stock Plan Administration Service Providers. The Corporation transfers Data to Fidelity Stock Plan Services LLC and its affiliated companies, an independent service provider based in the United States, which is assisting the Corporation with the implementation, administration and management of the Plan. The Corporation may select a different service provider or additional service providers and share Data with such other provider serving in a similar manner. The Participant may be asked to agree on separate terms and data processing practices with the service provider, with such agreement being a condition to the ability to participate in the Plan.***

(C) ***International Data Transfers. The Corporation and its service providers are based in the United States. The Participant's country or jurisdiction may have different data privacy laws and protections than the United States. The Corporation's legal basis, where required, for the transfer of Data is the Participant's consent.***

(D) ***Data Retention. The Corporation will hold and use the Data only as long as is necessary to implement, administer and manage the Participant's participation in the Plan, or as required to comply with legal or regulatory obligations, including under tax and security laws. In the latter case, the Participant understands and acknowledges that the Corporation's legal basis for the processing of the Participant's Data would be compliance with the relevant laws or regulations or the pursuit by the Corporation of respective legitimate interests not outweighed by the Participant's interests, rights or freedoms. When the Corporation no longer needs the Participant's Data for any of the above purposes, the Participant understands the Corporation will remove it from its systems.***

(E) ***Voluntariness and Consequences of Consent Denial or Withdrawal. Participation in the Plan is voluntary and the Participant is providing the consents herein on a purely voluntary basis. If the Participant does not consent, or if the Participant later seeks to revoke the Participant's consent, the Participant's salary from or employment with the Employer will not be affected; the only consequence of refusing or withdrawing the Participant's consent is that the Corporation would not be able to grant Awards to the Participant or administer or maintain such Awards.***

(F) ***Data Subject Rights. The Participant may have a number of rights under data privacy laws in the Participant's jurisdiction. Depending on where the Participant is based, such rights may include the right to (i) inquire whether and what kind of Data the Corporation holds about the Participant and how it is processed, and to request access or copies of Data the Corporation processes, (ii) request the correction or supplementation of Data about the Participant that is inaccurate, incomplete or out-of-date in light of the purposes underlying the processing, (iii) obtain the erasure of Data no longer necessary for the purposes underlying the processing, processed based on withdrawn consent, processed for legitimate interests that, in the context of the Participant's objection, do not prove to be compelling, or processed in non-compliance with applicable legal requirements, (iv) request restrictions on processing of Data in certain situations where the Participant feels its processing is inappropriate, (v) request portability of the Participant's Data that the Participant has actively or passively provided to the Corporation (which does not include data derived or inferred from the collected data), where the processing of such Data is based on consent or the Participant's employment and is carried out by automated means, (vi) object, in certain circumstances, to the processing of Data for legitimate interests, (vii) lodge complaints with competent authorities in the Participant's jurisdiction, and/or (viii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, the Participant can contact his or her local human resources representative.***

By accepting the Award and indicating consent via the Corporation's acceptance procedure, the Participant is declaring that he or she agrees with the data processing practices described herein and consents to the collection, processing and use of Data by the Corporation and the transfer of Data to the recipients mentioned above, including recipients located in countries which do not adduce an adequate level of protection from a European (or other non-U.S.) data protection law perspective, for the purposes described above.

11. Severability. The provisions in this Statement of Terms and Conditions are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

12. Language. The Participant acknowledges that the Participant is proficient in the English language, or has consulted with an advisor who is sufficiently proficient in the English language, and, accordingly, understands the provisions of the Plan and this Statement of Terms and Conditions. If the Participant has received this Statement of Terms and Conditions or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control unless otherwise required by local law.

13. Electronic Delivery. The Corporation may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Corporation or a third party designated by the Corporation.

14. Section 409A. If (A) the Participant is a Specified Employee at the time of the Participant's Separation from Service, and (B) some or any portion of the amounts payable to the Participant, if any, when considered together with any other payments or benefits which may be considered deferred compensation under section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A") and subject to the plan aggregation rules under Treasury Regulation section 1.409A-1(c)(3)(viii) (together, the "Deferred Compensation Benefits") would result in the imposition of additional tax under Section 409A if paid to the Participant on or within the six month period following the Separation from Service, then to the extent such portion of the Deferred Compensation Benefits resulting in the imposition of additional tax would otherwise have been payable on or within the first six months following the Separation from Service, it will instead become payable on the first payroll date that occurs in the seventh month following the Separation from Service (or such longer period as is required to avoid the imposition of additional tax under Section 409A). All subsequent Deferred Compensation Separation Benefits, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit.

15. Recoupment. The Participant acknowledges that any Award granted under the Plan or a predecessor to the Plan shall be subject to the McKesson Corporation Compensation Recoupment Policy, as amended from time to time and the McKesson Corporation Financial Restatement Compensation Recoupment Policy, as amended from time to time, both of which are incorporated herein by reference. As an additional condition of receiving the Award, the Participant agrees that the grant of the Award and any benefits or proceeds therefrom that the Participant may receive hereunder shall be subject to forfeiture and/or repayment to the Corporation to the extent required to comply with any requirements imposed under applicable laws and/or the rules and regulations of the securities exchange or inter-dealer quotation system on which the Shares are listed or quoted.

IX. DEFINITIONS

When capitalized in this Statement of Terms and Conditions, the following terms shall have the meaning set forth below:

1. "Award Agreement" means an agreement between the Participant and the Corporation evidencing the grant of an Option, Restricted Stock Award, Restricted Stock Unit Award, Performance Stock Unit Award or Other Share-Based Award, as applicable.

2. "Cause" means termination of the Participant's employment with the Corporation or an Affiliate upon the Participant's negligent or willful engagement in misconduct which, in the sole determination of the Chief Executive Officer of the Corporation (or the Chief Executive Officer's designee), is injurious to the Corporation, its employees, or its customers.

3. "Early Retirement" means a termination of employment (other than due to death, Long-Term Disability or for Cause) which occurs prior to Normal Retirement but on or after the date on which the Participant's age (expressed in terms of years and completed months) plus service with the Corporation or an Affiliate equals 65. For purposes of determining eligibility for Early Retirement, the term "service" shall include years and completed whole months of service.

4. "Family Member" means any person identified as an "immediate family" member in Rule 16(a)-1(e) of the Exchange Act, as such Rule may be amended from time to time. Notwithstanding the foregoing, the Administrator may designate any other person(s) or entity(ies) as a "family member."

5. "Good Reason" means any of the following actions, if taken without the express written consent of the Participant:

(A) Any material change by the Corporation in the Participant's functions, duties, or responsibilities, which change would cause the Participant's position with the Corporation to become of less dignity, responsibility, importance, or scope from the position and attributes that applied to the Participant immediately prior to the Change in Control;

(B) Any significant reduction in the Participant's aggregate base annual salary and target incentive opportunity, as in effect immediately prior to the Change in Control;

(C) Any material failure by the Corporation to comply with any of the provisions of an Award subsequent to a Change in Control;

(D) The Corporation's requiring the Participant to be based at any location which would increase the Participant's regular one-way commute by more than 25 miles from that in effect immediately preceding the Change in Control, except for travel reasonably required in the performance of the Participant's responsibilities; or

(E) Any change in the person to whom the Participant reports, as this relationship existed immediately prior to a Change in Control;

Provided that the Participant gives notice to the Corporation of the existence of the Good Reason condition within 30 days of the initial existence of the Good Reason condition and the Corporation is provided 30 days after receipt of the Participant's notice to remedy the Good Reason condition; provided further that the Participant's Separation from Service must occur within six months from the initial existence of the Good Reason condition if the Corporation does not remedy such condition for such separation to be considered to be for Good Reason.

6. "Expiration Date" means the date that an Option expires as set forth in the Option Grant Notice as the "Expiration Date."

7. "Grant Date" means the date the Administrator grants the Award.

8. "Grant Notice" means the notice of an Award granted to the Participant, which sets forth certain terms of such Award.

9. "Long-Term Disability" means a physical or mental condition in respect of which the administrator of the Corporation's long-term disability plan has determined that the Participant is eligible to receive income replacement benefits; or, if the Participant is not then a participant in the Corporation's long-term disability plan, a physical or mental condition that the administrator of the Corporation's long-term disability plan determines would have rendered the Participant eligible to receive income replacement benefits, had the Participant been enrolled in such plan.

10. "Normal Retirement" means termination of employment (other than due to death, Long-Term Disability or for Cause) at or after age 55 with at least 10 years of service with the Corporation or an Affiliate. For purposes of determining eligibility for Normal Retirement, "service" shall mean completed whole years of service (12 consecutive months).

11. "Option Period" means the period commencing on the Grant Date of an Option and, except at otherwise provided in Section II.5, ending on the Expiration Date.

12. “Separation from Service” means termination of employment with the Corporation or an affiliate. A Participant shall be deemed to have had a Separation from Service if the Participant’s service with the Corporation or an affiliate is reduced to an annual rate that is equal to or less than 20% of the services rendered, on average, during the immediately preceding three years of service with the Corporation or an affiliate (or, if providing service to the Corporation or an affiliate for less than three years, such lesser period).

13. “Severance” means termination of employment with the Corporation or an Affiliate, and qualified for participation in and entitlement to benefits under the McKesson Corporation Severance Pay Plan or the McKesson Corporation Severance Policy for Executive Employees, as applicable, in accordance with the terms and conditions of such plans. A Participant outside the United States who is not qualified for participation in and entitlement to the benefits under such plans will nonetheless be treated for the limited purposes of his or her Awards, and subject to the provisions of Section VIII.9 of this Statement of Terms and Conditions, as terminated by reason of Severance to the extent his or her employment with the Corporation or an Affiliate is terminated and he or she would satisfy the conditions for termination for reason of Severance but for the fact that such plan is only applicable to employees of the Corporation or an Affiliate in the United States who qualify for participation in that plan.

14. “Short-Term Disability” means short-term disability as defined in the Corporation’s short-term disability plan.

15. “Specified Employee” means those employees identified by the Corporation as "Specified Employees" for purposes of Code Section 409A.

16. “Stock Ownership Policy” means the Corporation’s Stock Ownership Policy, as amended from time to time, which can be found on McKNet. A Participant or a Participant’s beneficiary may also request a copy of the Stock Ownership Policy by writing to the Corporate Secretary at McKesson Corporation, 6555 North State Highway 161, Irving, Texas 75039 or emailing CorpSecretary@McKesson.com.

McKESSON CORPORATION
STATEMENT OF TERMS AND CONDITIONS APPLICABLE TO
OPTIONS, RESTRICTED STOCK, RESTRICTED STOCK UNITS
AND PERFORMANCE STOCK UNITS GRANTED TO EMPLOYEES SUBJECT TO STOCK OWNERSHIP POLICY
PURSUANT TO THE 2022 STOCK PLAN

For Grants beginning April 23, 2024

I. INTRODUCTION

The following terms and conditions shall apply to an Award granted under the Plan and are subject to the terms and conditions of the Plan. This Statement of Terms and Conditions is intended to meet the requirements of Code Section 409A and any rules promulgated thereunder. In the event of any inconsistency between this Statement of Terms and Conditions and the Plan, the Plan shall govern. Capitalized terms not otherwise defined in this Statement of Terms and Conditions shall have the meaning set forth in the Plan.

II. OPTIONS

1. Option Agreement. An Option granted under the Plan shall be evidenced by an Option Agreement setting forth the terms and conditions of the Option, including whether the Option is an Incentive Stock Option or a Nonstatutory Stock Option and the number of Shares subject to the Option. Each Option Grant Notice shall incorporate by reference and be subject to this Statement of Terms and Conditions, including the special terms and conditions in the Appendix for the Participant's country (if any) which forms part of this Statement of Terms and Conditions, and together both documents shall constitute the Option Agreement. The Option is also subject to the terms and conditions of the Plan.

2. Exercise Price. The Exercise Price of an Option, as specified in the Option Agreement, shall be equal to or greater than the Fair Market Value of the Shares underlying the Option on the Grant Date.

3. Option Period. An Option shall be exercisable only during the applicable Option Period, and during such Option Period the exercisability of the Option shall be subject to the vesting provisions of Section II.4 as modified by the rules set forth in Sections II.5 and VI. The Option Period shall be not more than seven years from the Grant Date.

4. Vesting of Right to Exercise Options

(A) Subject to Sections II.5 and VI, an Option shall be exercisable during the Option Period in accordance with the vesting terms and conditions established on the Grant Date and specified in the Option Grant Notice.

(B) Any vested portion of an Option not exercised hereunder shall accumulate and be exercisable at any time on or before the Expiration Date, subject to the rules set forth in Sections II.5 and VI. No Option may be exercised for less than 5% of the total number of Shares then available for exercise under such Option. In no event shall the Corporation be required to issue fractional Shares.

5. Limits on Option Period and Acceleration of Vesting. The Option Period may end before the Expiration Date, and in certain circumstances the vesting schedule of an Option may be accelerated (subject to the provisions of Section VI), as follows:

(A) If a Participant ceases to be a bona fide employee of the Corporation or of its Affiliates during the Option Period for reasons other than for Cause, Long-Term Disability, Normal Retirement, Early Retirement, Severance under the circumstances provided in Section II.5(F)(ii), or death, the Option Period shall end on the earlier of (i) 90 days after the date of the Participant's termination of employment and (ii) the Expiration Date, and in all cases the Option shall be exercisable only to the extent that it was exercisable at the time of such termination of employment. If a Participant is absent from work with the Corporation or an Affiliate because of the Participant's Short-Term Disability or because the Participant is on an approved leave of absence, the Participant shall not be deemed during the period of any such absence, by virtue of such absence alone, to have terminated employment with the Corporation or an Affiliate except as the Administrator may otherwise expressly determine.

(B) Notwithstanding any other provision in this Section II.5, if a Participant's employment is terminated for Cause during the Option Period, the Option Period shall end on the date of such termination of employment and the Option shall thereupon not be exercisable to any extent whatsoever.

(C) If a Participant ceases to be a bona fide employee of the Corporation or of its Affiliates during the Option Period by reason of Long-Term Disability, the vesting schedule of the Participant's Option shall be accelerated, the Option shall become fully exercisable and the Option Period shall end on the earlier of (i) three years after the date of the Participant's termination of employment and (ii) the Expiration Date.

(D) If a Participant ceases to be a bona fide employee of the Corporation or of its Affiliates during the Option Period by reason of Early Retirement, (i) the Option shall be exercisable only to the extent that it was exercisable at the time of such retirement and (ii) the Option Period for that portion of the Option designated as a Nonstatutory Stock Option shall end on the earlier of (a) three years after the date of such retirement and (b) the Expiration Date.

(E) If a Participant ceases to be a bona fide employee of the Corporation or of its Affiliates during the Option Period by reason of Normal Retirement:

(i) If such Normal Retirement occurs prior to the first anniversary of the Grant Date of the Option, such Option shall be subject to the provisions of Section II.5(D) as though the Participant were eligible for Early Retirement; or

(ii) If such Normal Retirement occurs on or after the first anniversary of the Grant Date of an Option, (a) that portion of the Option designated as a Nonstatutory Stock Option shall continue to vest as though the Participant had continued to be employed by the Corporation or one of its Affiliates during such vesting period, and (b) the Option Period for such portion of the Option designated as a Nonstatutory Stock Option shall end on the Expiration Date.

(F) If a Participant ceases to be a bona fide employee of the Corporation or of its Affiliates during the Option Period by reason of Severance, and

(i) The Participant has attained the requirements for Normal Retirement on or prior to the Participant's termination date, then such Option shall be subject to the Normal Retirement provisions of Section II.5(E); or

(ii) The Participant has not attained the requirements for Normal Retirement on or prior to the Participant's termination date, but would have attained the requirements for Normal Retirement within six months after the termination date, and

(a) The first anniversary of the Grant Date of the applicable Award has not occurred on or prior to the termination date, then such Option shall be subject to the Early Retirement provision in Section II.5(D); or

(b) The first anniversary of the Grant Date of the applicable Award has occurred on or prior to the termination date, then (x) that portion of the Option designated as a Nonstatutory Stock Option shall continue to vest as though the Participant had continued to be employed by the Corporation or one of its Affiliates during such vesting period, and (y) the Option Period for such portion of the Option designated as a Nonstatutory Stock Option shall end on the Expiration Date; or

(iii) The Participant has not attained the requirements for Normal Retirement on or prior to the Participant's termination date, and would not have attained the requirements for Normal Retirement within six months after the termination date, then (a) the vesting schedule of the Participant's Option shall be accelerated as to the portion of the Option that would have vested in accordance with the original vesting schedule as though the Participant had continued to be employed by the Corporation or one of its Affiliates six months after the termination date, and (b) the expiration of the Option Period provided in Section II.5(A) shall apply; provided that if the Participant is also eligible for Early Retirement at the time of the termination of employment, then the expiration of the Option Period provided in Section II.5(D) shall apply.

(G) If a Participant should die (i) while in the employ of the Corporation or an Affiliate and (ii) during the Option Period, the vesting schedule of the Participant's Option shall be accelerated and the Option shall become fully exercisable, the Option Period shall end on the earlier of (a) three years after the date of death and (b) the Expiration Date, and the Participant's Beneficiary may exercise the entire unexercised portion of the then exercisable Shares covered by such Option (or any lesser amount) remaining on the date of death.

(H) If a Participant who ceases to be a bona fide employee of the Corporation or an Affiliate is subsequently rehired prior to the expiration of the Participant's Option, then the Option shall continue to remain outstanding until the earlier of (i) such time as the Participant subsequently terminates employment and (ii) the Expiration Date. Upon the Participant's subsequent termination of employment, the post-termination exercise period calculated pursuant to the terms and conditions of this Section II.5 shall be reduced by the number of days between the date of the Participant's initial termination of employment and the Participant's re-hire date; provided, however, that if the rehired Participant continues to be employed by the Corporation or an Affiliate for at least one year from the Participant's rehire date, then the post termination exercise period for the Option shall be determined in accordance with Sections II.5(A) through (G) and shall not be adjusted as described in this Section II.5(H).

6. Method of Exercise. A Participant may exercise an Option with respect to all or any part of the exercisable Shares as follows:

(A) By giving the Corporation, or its authorized representative designated for this purpose, written notice of such exercise specifying the number of Shares as to which the Option is so exercised. Such notice shall be accompanied by an amount equal to the Exercise Price multiplied by the number of Shares exercised, in the form of any one or combination of the following: cash or a certified check, bank draft, postal or express money order payable to the order of the Corporation in lawful money of the United States. Unless otherwise determined by the Administrator in its sole discretion, the Participant may pay the Exercise Price, in whole or in part, by tendering to the Corporation or its authorized representative Shares, which have been owned by the Participant for at least six months prior to said tender, and having a fair market value, as determined by the Corporation, equal to the Exercise Price, or in lieu of the delivery of actual Shares in such tender, the Corporation may accept an attestation by the Participant, in a form prescribed by the Corporation or its authorized representative, that the Participant owns sufficient Shares of record or in an account in street name to satisfy the Exercise Price, and such attestation will be deemed a tender of Shares for purposes of this method of exercise. The Corporation or its authorized representative may accept payment of the amount due upon the exercise of the Option in the form of a Participant's personal check. Payment may also be made by delivery (including by FAX transmission) to the Corporation or its authorized representative of an executed irrevocable Option exercise form together with irrevocable instructions to an approved registered investment broker to sell Shares in an amount sufficient to pay the Exercise Price plus any applicable Tax-Related Items (as defined in Section VIII.6) and to transfer the proceeds of such sale to the Corporation.

(B) If required by the Corporation, by giving satisfactory assurance in writing, signed by the Participant, the Participant shall give the Participant's assurance that the Shares subject to the Option are being purchased for investment and not with a view to the distribution thereof; provided that such assurance shall be deemed inapplicable to (i) any sale of the Shares by such Participant made in accordance with the terms of a registration statement covering such sale, which has heretofore been (or may hereafter be) filed and become effective under the U.S. Securities Act of 1933, as amended (the "Securities Act") and with respect to which no stop order suspending the effectiveness thereof has been issued, and (ii) any other sale of the Shares with respect to which, in the opinion of counsel for the Corporation, such assurance is not required to be given in order to comply with the provisions of the Securities Act.

(C) As soon as practicable after receipt of the notice and the assurance described in Sections II.6(A) and (B), the Corporation shall, without transfer or issue tax (except for withholding tax arrangements contemplated in Section VIII.6) and without other incidental expense to the Participant, credit the purchased Shares to the Participant's brokerage account of record. If the Participant does not have a brokerage account of record, then the Corporation shall cause an appropriate book entry to be entered in the records of the Corporation's transfer agent recording the Participant's unrestricted interest in the purchased Shares; provided, however, that the time of such delivery may be postponed by the Corporation for such period as may be required for it with reasonable diligence to comply with applicable registration requirements under the Securities Act, the Exchange Act, any applicable listing requirements of any national securities exchange and requirements under any other law or regulation applicable to the issuance or transfer of the Shares.

7. Limitations on Transfer. An Option shall, during a Participant's lifetime, be exercisable only by the Participant. No Option or any right granted thereunder shall be transferable by the Participant by operation of law or otherwise, other than by will or the laws of descent and distribution. Notwithstanding the foregoing: (A) unless otherwise determined by the Administrator in its sole discretion, a Participant may designate a beneficiary to succeed, after the Participant's death, to all of the Participant's Options outstanding on the date of death; (B) a Nonstatutory Stock Option may be transferable pursuant to a qualified domestic relations order as defined in the Code or Title I of the U.S. Employee Retirement Income Security Act; and (C) any Participant, who is a senior executive officer recommended by the Chief Executive Officer of the Corporation and approved by the Administrator may voluntarily transfer any Nonstatutory Stock Option to a Family Member as a gift or through a transfer to an entity in which more than 50% of the voting interests are owned by Family Members (or the Participant) in exchange for an interest in that entity. In the event of any attempt by a Participant to alienate, assign, pledge, hypothecate, or otherwise dispose of an Option or of any right thereunder, except as provided herein, or in the event of the levy of any attachment, execution, or similar process upon the rights or interest hereby conferred, the Corporation at its election may terminate the affected Option by notice to the Participant and the Option shall thereupon become null and void.

8. No Stockholder Rights. Neither a Participant nor any person entitled to exercise a Participant's rights in the event of the Participant's death shall have any of the rights of a stockholder with respect to the Shares subject to an Option except to the extent that a book entry has been entered in the records of the Corporation's transfer agent with respect to such Shares upon the exercise of an Option.

III. RESTRICTED STOCK

1. Restricted Stock Agreement. A Restricted Stock Award granted under the Plan shall be evidenced by a Restricted Stock Agreement to be executed by the Participant and the Corporation setting forth the terms and conditions of the Restricted Stock Award. Each Restricted Stock Grant Notice shall incorporate by reference and be subject to this Statement of Terms and Conditions, including the special terms and conditions in the Appendix for the Participant's country (if any) which forms part of this Statement of Terms and Conditions, and together both documents shall constitute the Restricted Stock Agreement. The Restricted Stock Award is also subject to the terms and conditions of the Plan.

2. Rights with Respect to Shares of Restricted Stock Upon written acceptance of a Restricted Stock Award by a Participant, including the restrictions and other terms and conditions described in the Plan and the Restricted Stock Agreement, the Corporation shall cause an appropriate book entry to be entered in the records of the Corporation's transfer agent recording the Participant's interest in the Restricted Stock. From and after the Grant Date, the Participant shall have the rights of Common Stock ownership, including the right to vote and to receive dividends on Shares of Restricted Stock, subject to the terms, conditions and restrictions described in the Plan and the Restricted Stock Agreement.

3. Special Restrictions. Each Restricted Stock Award made under the Plan shall be subject to the following terms, conditions and restrictions and such additional terms, conditions and restrictions as may be determined by the Administrator; provided, however, that no Restricted Stock grant shall be subject to additional terms, conditions and restrictions which are more favorable to a Participant than the terms, conditions and restrictions set forth elsewhere in the Plan or the Restricted Stock Agreement.

(A) Restrictions. Until the restrictions imposed on any Restricted Stock grant shall lapse (the "Restriction Period"), Shares of Restricted Stock granted to a Participant (i) shall not be sold, assigned, transferred, pledged, hypothecated, or otherwise disposed of, other than pursuant to a qualified domestic relations order as defined in the Code or Title I of the U.S. Employee Retirement Income Security Act and (ii) shall, if the Participant's continuous employment with the Corporation or any of its Affiliates shall terminate for any reason (except as otherwise provided in the Plan, or in Section III.3(B) or Section III.3(C)) be returned to the Corporation forthwith, and all the rights of the Participant to such Shares shall immediately terminate. If a Participant is absent from work with the Corporation or an Affiliate because of the Participant's Short-Term Disability or because the Participant is on an approved leave of absence, the Participant shall not be deemed during the period of any such absence, by virtue of such absence alone, to have terminated employment with the Corporation or an Affiliate except as the Administrator may otherwise expressly determine.

(B) Termination of Employment by Reason of Death, Long-Term Disability or Normal Retirement. Notwithstanding any provision to the contrary contained in the Restricted Stock Grant Notice, if a Participant who has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date of a Restricted Stock Award ceases to be a bona fide employee of the Corporation or an Affiliate as a result of:

(i) Death or Long-Term Disability, then the restrictions imposed on any Restricted Stock Award shall lapse as to all Shares granted to such Participant pursuant to such Restricted Stock Award on the date of such termination; or

(ii) Normal Retirement on or after the first anniversary of the Grant Date of any time-vesting Restricted Stock Award, the restrictions applicable to such Restricted Stock Award shall continue to lapse at such time(s) as are set forth in the applicable Grant Notice, as though the Participant had continued to be employed by the Corporation or one of its Affiliates during such restricted period; provided, that notwithstanding any other provision of the Plan or this Statement of Terms and Conditions, this Section III.3(B)(ii) shall not apply to any Restricted Stock Award the vesting of which is based, in whole or in part, on attainment of performance objectives. The procedures set forth in Section VIII.6 will be applied for any taxes due upon the lapse of restrictions imposed on a Restricted Stock Award due to a Participant's Normal Retirement eligibility.

(C) Termination of Employment by Reason of Severance. Notwithstanding any provision to the contrary contained in the Restricted Stock Grant Notice, if a Participant who has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date of a Restricted Stock Award ceases to be a bona fide employee of the Corporation or an Affiliate as a result of Severance, and:

(i) The Participant either (a) has attained the requirements for Normal Retirement on or prior to the Participant's termination date or (b) would have attained the requirements for Normal Retirement within six months after the Participant's termination date, then any time-vesting Restricted Stock Award shall be subject to the Normal Retirement provisions of Section III.3(B)(ii); or

(ii) The Participant has not attained the requirements for Normal Retirement on or prior to the Participant's termination date, and would not have attained the requirements for Normal Retirement within six months after the Participant's termination date, then the restrictions applicable to any time-vesting Restricted Stock Award shall lapse upon the Participant's termination date, as to such Shares of Restricted Stock that would have vested at such time(s) as are set forth in the applicable Grant Notice as if the Participant had continued to be employed by the Corporation or one of its Affiliates during the six-month period after the Participant's termination date.

Notwithstanding the foregoing, this Section III.3(C) shall not apply to any Restricted Stock Award the vesting of which is based, in whole or in part, on attainment of performance objectives. The procedures set forth in Section VIII.6 will be applied for any taxes due upon the lapse of restrictions imposed on a Restricted Stock Award due to a Participant's Normal Retirement eligibility.

(D) Restriction on Sale. The Administrator reserves the right to impose a restriction on the sale of Shares that the Participant receives upon the vesting and settlement of a Restricted Stock Award, unless the Participant has satisfied the ownership targets applicable to the Participant as provided in the Stock Ownership Policy.

4. Dividends. Cash dividends paid with respect to Restricted Stock during the Restriction Period shall be credited on behalf of the Participant to a deferred cash account (in a manner designed to comply with Code Section 409A) and the restrictions on such cash dividends shall lapse at the same time that the restrictions lapse on the associated Restricted Stock Award. Stock dividends paid with respect to Restricted Stock during the Restriction Period shall be treated as Restricted Stock which shall be subject to the same restrictions as the original award for the duration of the Restriction Period.

5. Election to Recognize Gross Income in the Year of Grant If any Participant who is a U.S. taxpayer validly elects within 30 days of the Grant Date, to include in gross income for federal income tax purposes an amount equal to the fair market value of the Shares of Restricted Stock granted on the Grant Date, such Participant shall (at the same time or prior to the date that the Participant files the Participant's election with the Internal Revenue Service) (A) pay to the Corporation, or make arrangements satisfactory to the Administrator to pay to the Corporation in the year of such grant, any federal, state or local taxes required to be withheld with respect to such Shares in accordance with Section VIII.6, and (B) provide the Administrator with a copy of the election filed with the Internal Revenue Service.

6. Restrictive Legend. Each book entry in the records of the Corporation's transfer agent evidencing Shares granted pursuant to a Restricted Stock grant may bear an appropriate legend referring to the terms, conditions and restrictions described in the Plan and/or the Restricted Stock Agreement.

7. Expiration of Restriction Period. If and when the Restriction Period applicable to the Restricted Stock expires without a prior forfeiture, Shares shall be credited to the Participant's brokerage account of record. If the Participant does not have a brokerage account of record, then an appropriate book entry recording the Participant's interest in the unrestricted Shares shall be entered on the records of the Corporation's transfer agent.

IV. RESTRICTED STOCK UNITS

1. Restricted Stock Unit Agreement. Restricted Stock Units granted under the Plan shall be evidenced by a Restricted Stock Unit Agreement to be executed by the Participant and the Corporation setting forth the terms and conditions of the Restricted Stock Units. Each Restricted Stock Unit Grant Notice shall incorporate by reference and be subject to this Statement of Terms and Conditions, including the special terms and conditions in the Appendix for the Participant's country (if any) which forms part of this Statement of Terms and Conditions, and together both documents shall constitute the Restricted Stock Unit Agreement. The Restricted Stock Units are also subject to the terms and conditions of the Plan.

2. Special Restrictions. Restricted Stock Units granted under the Plan shall be subject to the following terms, conditions and restrictions and such additional terms, conditions and restrictions as may be determined by the Administrator, consistent with the terms of the Plan.

(A) Restrictions. If a Participant ceases to be a bona fide employee of the Corporation or any Affiliate (except as otherwise provided in the Plan, or in Section IV.2(B) or Section IV.2(C)) prior to the lapse of the restrictions imposed on the Award, the unvested Restricted Stock Units shall be canceled, and all the rights of the Participant to such Awards shall immediately terminate. If a Participant is absent from work with the Corporation or an Affiliate because of the Participant's Short-Term Disability or because the Participant is on an approved leave of absence, the Participant shall not be deemed during the period of any such absence, by virtue of such absence alone, to have terminated employment with the Corporation or an Affiliate except as the Administrator may otherwise expressly determine.

(B) Termination of Employment by Reason of Death, Long-Term Disability or Normal Retirement. Notwithstanding any provision contained to the contrary in the Restricted Stock Unit Grant Notice, if a Participant who has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date of such Award ceases to be a bona fide employee of the Corporation or an Affiliate as a result of:

(i) Death or Long-Term Disability, then the restrictions imposed on any Award of Restricted Stock Units shall lapse on the date of such termination; or

(ii) Normal Retirement on or after the first anniversary of the Grant Date of any time-vesting Restricted Stock Units, the restrictions applicable to such Restricted Stock Units shall continue to lapse at such time(s) as are set forth in the applicable Grant Notice, as though the Participant had continued to be employed by the Corporation or one of its Affiliates during such restricted period.

(C) Termination of Employment by Reason of Severance. Notwithstanding any provision to the contrary contained in the Restricted Stock Unit Grant Notice, if a Participant who has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date of a Restricted Stock Unit Award ceases to be a bona fide employee of the Corporation or an Affiliate as a result of Severance, and:

(i) The Participant either (a) has attained the requirements for Normal Retirement on or prior to the Participant's termination date or (b) would have attained the requirements for Normal Retirement within six months after the Participant's termination date, then any time-vesting Restricted Stock Unit Award shall be subject to the Normal Retirement provisions of Section IV.2(B)(ii); or

(ii) The Participant has not attained the requirements for Normal Retirement on or prior to the Participant's termination date, and would not have attained the requirements for Normal Retirement within six months after the Participant's termination date, then the restrictions applicable to any time-vesting Restricted Stock Unit Award shall lapse upon the termination date, as to such Restricted Stock Units that would have vested at such time(s) as are set forth in the applicable Grant Notice as if the Participant had continued to be employed by the Corporation or one of its Affiliates during the six-month period after the termination date.

(D) Restriction on Sale. The Administrator reserves the right to impose a restriction on the sale of Shares that the Participant receives upon the settlement of Restricted Stock Units, unless the Participant has satisfied the ownership targets applicable to the Participant as provided in the Stock Ownership Policy.

3. Dividend Equivalents. Subject to the discretion of the Compensation Committee, dividend equivalents shall be credited in respect of Restricted Stock Units. Cash dividends shall be credited on behalf of the Participant to a deferred cash account (in a manner designed to comply with Code Section 409A) and the restrictions on such cash dividends shall lapse at the same time that the restrictions lapse on the associated Award of Restricted Stock Units, and cash dividends shall be paid in a lump sum at the same time that the Shares underlying the Restricted Stock Unit Award, and to which the cash dividends relate, are distributed. Stock dividends shall be converted into additional Restricted Stock Units, which will be subject to all of the terms and conditions of the underlying Restricted Stock Units, including the same vesting restrictions as the underlying Award.

4. Assignability. A Participant shall not be permitted to sell, transfer, pledge, assign or encumber Restricted Stock Units, other than pursuant to a qualified domestic relations order as defined in the Code or Title I of the U.S. Employee Retirement Income Security Act.

5. No Stockholder Rights. Neither a Participant nor any person entitled to exercise a Participant's rights in the event of the Participant's death shall have any of the rights of a stockholder with respect to an Award of Restricted Stock Units except to the extent that a book entry has been entered in the records of the Corporation's transfer agent with respect to the Shares paid upon the settlement of any vested Restricted Stock Units.

6. Time of Payment of Restricted Stock Units. Upon the lapse of the restriction imposed on Restricted Stock Units, all Restricted Stock Units that were not forfeited pursuant to Section IV.2(A), Section IV.2(B)(i), Section IV.2(C)(i), or Section VI shall be paid to the Participant as soon as reasonably practicable after the restrictions lapse. Payment shall be made in Shares to the Participant's brokerage account of record. If the Participant does not have a brokerage account of record, then in the form of an appropriate book entry entered in the records of the Corporation's transfer agent recording the Participant's unrestricted interest in the number of Shares subject to the Restricted Stock Units.

Notwithstanding the foregoing, if a Participant becomes eligible for Normal Retirement, or is eligible for additional vesting under Section IV.2(C)(ii), prior to the date of the lapse of restrictions imposed on Restricted Stock Units and the vesting provisions of Section IV.2(B)(ii) or Section IV.2(C)(ii) apply, then such Restricted Stock Units shall be paid to the Participant's brokerage account of record as soon as reasonably practicable after the earlier of the Participant's Separation from Service or the originally scheduled vesting date (in any event before the end of the calendar year in which such date occurs), subject to the delay of payment (if applicable) provided in Section VIII.14. The procedures set forth in Section VIII.6 will be applied for any taxes due upon the lapse of restrictions imposed on a Restricted Stock Unit Award due to a Participant's Normal Retirement eligibility or additional vesting as provided in Section IV.2(C)(ii).

V. PERFORMANCE STOCK UNITS

1. Award Agreement. Performance Stock Unit Awards shall be evidenced by a Performance Stock Unit Agreement to be executed by the Participant and the Corporation setting forth the terms and conditions of the Performance Stock Unit Award. Performance Stock Unit Awards are "Performance Awards" as provided under Section 10 of the Plan. Each Performance Stock Unit Agreement shall incorporate by reference and be subject to this Statement of Terms and Conditions, including the special terms and conditions in the Appendix for the Participant's country (if any) which forms part of this Statement of Terms and Conditions, and together both documents shall constitute the Performance Stock Unit Agreement. Performance Stock Unit Awards are also subject to the terms and conditions of the Plan.

2. Number of Shares Granted Based on Performance. The performance period of a Performance Stock Unit Award shall be greater than one year, and performance shall be based on such criteria as the Compensation Committee shall determine in its discretion at the beginning of the performance period. Following the end of the performance period, the Compensation Committee shall determine the extent to which the criteria have been achieved, and shall authorize the grant and issuance of Shares in respect of the Performance Stock Unit Award.

3. Special Conditions. Performance Stock Unit Awards shall be subject to the following terms, conditions and restrictions and such additional terms, conditions and restrictions as may be determined by the Compensation Committee, consistent with the terms of the Plan.

(A) Forfeiture. If a Participant ceases to be a bona fide employee of the Corporation or any Affiliate (except as otherwise provided in the Plan or in Section V.3(B) or Section V.3(C)) prior to the end of the performance period, any then-outstanding Performance Stock Units shall be canceled, and all the rights of the Participant to such Award shall immediately terminate. If a Participant is absent from work with the Corporation or an Affiliate because of the Participant's Short-Term Disability or because the Participant is on an approved leave of absence, the Participant shall not be deemed during the period of any such absence, by virtue of such absence alone, to have terminated employment with the Corporation or an Affiliate except as the Compensation Committee may otherwise expressly determine.

(B) Termination of Employment by Reason of Death, Long-Term Disability or Normal Retirement. Notwithstanding any provision contained herein or in the Plan or the Award Agreement to the contrary, if a Participant who has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date of such Award ceases to be a bona fide employee of the Corporation or an Affiliate as a result of:

(i) Death or Long-Term Disability, the Participant shall be eligible to receive, following completion of the applicable performance period, a prorated portion of each such Performance Stock Unit Award, equal to (1) the target number of Performance Stock Units subject to such Award, *multiplied by* (2) the performance criteria determined by the Compensation Committee to apply to such Award, *multiplied by* (3) a fraction, the numerator of which is the number of whole calendar months, rounded down to the nearest whole month, during which the Participant provided Service to the Corporation or an Affiliate during the performance period applicable to such Award, and the denominator of which is the number of calendar months in such performance period; provided, that for purposes of this clause (3), "whole calendar months" shall be calculated commencing on the applicable Grant Date; provided, however, that in no event shall such amount exceed any applicable cap or limitation set forth in the Performance Stock Unit Grant Notice; or

(ii) Normal Retirement on or after the first anniversary of the Grant Date, the Participant shall be eligible to vest in such Performance Stock Unit Award following completion of the applicable performance period, as though the Participant had continued to be employed by the Corporation or one of its Affiliates through the date on which the Compensation Committee determines performance against the applicable performance goals.

Amounts, if any, to be paid under this Section V.3(B) shall be paid in accordance with Section V.7 and, if applicable, Section VIII.14.

(C) Termination of Employment by Reason of Severance. Notwithstanding any provision to the contrary, if the Participant has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date and ceases to be a bona fide employee of the Corporation or an Affiliate as a result of Severance, and:

(i) The Participant either (a) has attained the requirements for Normal Retirement on or prior to the Participant's termination date or (b) would have attained the requirements for Normal Retirement within six months after the Participant's termination date, then any Performance Stock Unit Award shall be subject to the Normal Retirement provisions of Section V.3(B)(ii); or

(ii) The Participant has not attained the requirements for Normal Retirement on or prior to the Participant's termination date, and would not have attained the requirements for Normal Retirement within six months after the Participant's termination date, then if such Participant's termination date is no greater than six months prior to the date on which the Compensation Committee determines performance against the applicable performance goals, such Participant shall be eligible to vest in such Performance Stock Unit Award following completion of the applicable performance period, as though the Participant had continued to be employed by the Corporation or one of its Affiliates through such performance determination date.

Amounts, if any, to be paid under this Section V.3(C) shall be paid in accordance with Section V.7 and, if applicable, Section VIII.14.

(D) Restriction on Sale of Shares. The Administrator reserves the right to impose a restriction on the sale of Shares that the Participant receives with respect to the settlement of a Performance Stock Unit Award, unless the Participant has satisfied the ownership targets applicable to the Participant as provided in the Stock Ownership Policy.

4. Dividend Equivalents. Unless otherwise determined by the Compensation Committee in its sole discretion, Dividend Equivalents shall not be accrued with respect to Performance Stock Unit Awards during the performance period.

5. Assignability. A Participant shall not be permitted to sell, transfer, pledge, assign or encumber all or any portion of a Performance Stock Unit Award.

6. No Stockholder Rights. Neither a Participant nor any person entitled to exercise a Participant's rights in the event of the Participant's death shall have any of the rights of a stockholder with respect to a Performance Stock Unit Award, except to the extent that a book entry has been entered in the records of the Corporation's transfer agent with respect to the Shares paid upon the settlement of any Performance Stock Unit Award.

7. Time of Payment of Performance Stock Units. The Compensation Committee shall determine the extent to which Shares are payable pursuant to a Performance Stock Unit Award as soon as practicable following the end of the performance period, and such Shares shall be paid as soon as practicable thereafter and in any event no later than the end of the period under which payment would be deemed to be a "short-term deferral" as defined in the regulations under Code Section 409A. Payment shall be made in the form of Shares to the Participant's brokerage account of record. If the Participant does not have a brokerage account of record, then in the form of an appropriate book entry entered in the records of the Corporation's transfer agent recording the Participant's unrestricted interest in the number of Shares earned pursuant to the Performance Stock Unit Award.

VI. SPECIAL FORFEITURE AND REPAYMENT RULES

Any other provision of this Statement of Terms and Conditions to the contrary notwithstanding, if the Administrator determines that a Participant has engaged in any of the actions described in 3 below, the consequences set forth in 1 and 2 below shall result:

1. Any outstanding Option shall immediately and automatically terminate, be forfeited and shall cease to be exercisable, without limitation. In addition, any Award of Restricted Stock or Restricted Stock Units as to which the restrictions have not lapsed shall immediately and automatically be forfeited, Performance Stock Unit Awards shall immediately and automatically be forfeited and any such Shares of Restricted Stock shall be returned to the Corporation and all of the rights of the Participant to such Awards and the underlying Shares shall immediately terminate.

2. If the Participant exercised an Option within 12 months prior to the date upon which the Corporation discovered that the Participant engaged in any actions described in 3 below, the Participant, upon written notice from the Corporation, shall immediately pay to the Corporation the economic value realized or obtained by the exercise of such Option measured at the date of exercise. In addition, if the restrictions imposed on any Award of Restricted Stock or Restricted Stock Units (including any unpaid dividends or Dividend Equivalents) lapsed, or any Performance Stock Unit Award was settled, within 12 months prior to the date the Corporation discovered that the Participant engaged in any action described in 3 below, the Participant, upon written notice from the Corporation, shall immediately pay to the Corporation the economic value realized or obtained with respect to such Award, measured at the date such Award vested.

3. The consequences described in 1 and 2 above shall apply if the Participant, either before or after termination of employment with the Corporation or its Affiliates:

(A) Discloses to others, or takes or uses for the Participant's own purpose or the purpose of others, any trade secrets, confidential information, knowledge, data or know-how or any other proprietary information or intellectual property belonging to the Corporation or its Affiliates and obtained by the Participant during the term of the Participant's employment, whether or not they are the Participant's work product. Examples of such confidential information or trade secrets include, without limitation, customer lists, supplier lists, pricing and cost data, computer programs, delivery routes, advertising plans, wage and salary data, financial information, research and development plans, processes, equipment, product information and all other types and categories of information as to which the Participant knows or has reason to know that the Corporation or its Affiliates intends or expects secrecy to be maintained;

(B) Fails to promptly return all documents and other tangible items belonging to the Corporation or its Affiliates in the Participant's possession or control, including all complete or partial copies, recordings, abstracts, notes or reproductions of any kind made from or about such documents or information contained therein, upon termination of employment, whether pursuant to retirement or otherwise;

(C) Fails to provide the Corporation with at least 30 days' written notice prior to directly or indirectly engaging in, becoming employed by, or rendering services, advice or assistance to any business in competition with the Corporation or its Affiliates. As used herein, "business in competition" means any person, organization or enterprise which is engaged in or is about to become engaged in any line of business engaged in by the Corporation or its Affiliates at the time of the termination of the Participant's employment with the Corporation or its Affiliates;

(D) Fails to inform any new employer, before accepting employment, of the terms of this paragraph and of the Participant's continuing obligation to maintain the confidentiality of the trade secrets and other confidential information belonging to the Corporation or its Affiliates and obtained by the Participant during the term of the Participant's employment with the Corporation or any of its Affiliates;

(E) Induces or attempts to induce, directly or indirectly, any of the customers of the Corporation or its Affiliates, employees, representatives or consultants to terminate, discontinue or cease working with or for the Corporation or its Affiliates, or to breach any contract with the Corporation or any of its Affiliates, in order to work with or for, or enter into a contract with, the Participant or any third party;

(F) Engages in conduct which is not in good faith and which disrupts, damages, impairs or interferes with the business, reputation or employees of the Corporation or its Affiliates; or

(G) Fails to meet the Participant's continuing obligations with respect to non-disclosure, non-competition and/or non-solicitation under the Participant's agreement with the Corporation or any Affiliate.

The Administrator shall determine in its sole discretion whether the Participant has engaged in any of the acts set forth in (A) through (G) above, and its determination shall be conclusive and binding on all interested persons.

Any provision of this Section VI which is determined by a court of competent jurisdiction to be invalid or unenforceable should be construed or limited in a manner that is valid and enforceable and that comes closest to the business objectives intended by such invalid or unenforceable provision, without invalidating or rendering unenforceable the remaining provisions of this Section VI.

VII. CHANGE IN CONTROL

If as a result of a Change in Control, the Common Stock ceases to be listed for trading on a national securities exchange (an "Exchange"), any Option, Restricted Stock Award, Restricted Stock Unit Award or Performance Stock Unit Award that is unvested on the effective date of the Change in Control shall continue to vest according to the terms and conditions of such Award, provided that such Award is replaced with an award for voting securities of the resulting corporation or the acquiring corporation, as the case may be, (including without limitation, the voting securities of any corporation which as a result of the Change in Control owns the Corporation or all or substantially all of the Corporation's assets either directly or through one or more subsidiaries) (the "Surviving Company") which are traded on an Exchange (a "Replacement Award"), which Replacement Award, (i) in the case of an Option, shall consist of an option with the number of underlying shares and exercise price determined in a manner consistent with Code Section 424(a) with vesting and any other terms continuing in the same manner as the replaced Option; (ii) in the case of a Performance Stock Unit Award, shall consist of restricted stock or restricted stock units with a value (determined using the Surviving Company's stock price as of the effective date of the Change in Control) equal to the value of the Performance Stock Unit Award (determined using the Corporation's stock price and assuming attainment of target performance or actual performance achieved, if greater, as of the effective date of the Change in Control), with any restrictions on such Replacement Award lapsing at the end of the measuring period over which performance for the replaced Performance Stock Unit Award was to be measured prior to the granting of the Replacement Award; and (iii) in the case of a Restricted Stock Award or Restricted Stock Unit Award, shall consist of restricted stock or restricted stock units with a value (determined using the Surviving Company's stock price as of the effective date of the Change in Control) equal to the value of the Restricted Stock Award or Restricted Stock Unit Award (determined using the Corporation's stock price as of the effective date of the Change in Control), with any restrictions on such restricted stock or restricted stock units lapsing at the same time and manner as the replaced Award; provided, however, that in the event of the Participant's involuntary Separation from Service by the Corporation without Cause or Separation from Service by the Participant for Good Reason during the vesting period of any Replacement Award, the Replacement Award shall immediately vest and be paid as soon as practicable following such Separation from Service (subject to Section VIII.14), based on the fair market value of the underlying shares on the vesting date, or in the case of options, based on the excess of the fair market value of the underlying shares over the option exercise price on the vesting date. If any Option, Restricted Stock Award, Restricted Stock Unit Award or Performance Stock Unit Award that is unvested at the effective time of the Change in Control is not replaced with a Replacement Award, such Award shall immediately vest and, in the case of a Performance Stock Unit Award, shall vest based upon deemed attainment of target performance or actual performance achieved, if greater.

If as a result of a Change in Control, the Common Stock continues to be listed for trading on an Exchange, any unvested Option, Restricted Stock Award, or Restricted Stock Unit Award shall continue to vest according to the terms and conditions of such Award and any Performance Stock Unit Award shall be replaced with a Restricted Stock Unit Award where the number of shares subject to such Restricted Stock Unit Award shall be equal to the number of Shares assuming attainment of target performance or actual performance achieved, if greater, as of the effective date of the Change in Control with any restrictions on such Restricted Stock Unit Award lapsing at the end of the measuring period over which performance for the replaced Performance Stock Unit Award was to be measured prior to the granting of the Replacement Award; provided however, that, in the event of the Participant's involuntary Separation from Service by the Corporation without Cause or Separation from Service by the Participant for Good Reason during the vesting period of an Award, such Award shall immediately vest and be paid as soon as practicable following such Separation from Service (subject to Section VIII.14).

VIII. MISCELLANEOUS

1. No Effect on Terms of Employment. Participation in the Plan shall not create a right to further employment with the Participant's employer (the "Employer") and shall not interfere with the ability of the Employer to terminate, with or without cause, or change the terms of employment of a Participant at any time.

2. Grants to Participants in Foreign Countries. In making grants to Participants in foreign countries, the Administrator has the full discretion to deviate from this Statement of Terms and Conditions in order to adjust grants under the Plan to prevailing local conditions, including custom and legal and tax requirements. Furthermore, the Corporation reserves the right to impose other requirements on the Participant's participation in the Plan on the Award and on any Shares acquired under the Plan, to the extent the Corporation determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require the Participant to sign any additional agreements or undertaking that may be necessary to accomplish the foregoing.

3. Information Notification. Any information required to be given under the terms of an Award shall be addressed to the Corporation in care of its Corporate Secretary at McKesson Corporation, 6555 North State Highway 161, Irving, Texas 75039, and any notice to be given to a Participant shall be addressed to such Participant at the address indicated beneath the Participant's name on the Award Agreement or such other address as either party may designate in writing to the other. Any such notice shall be deemed to have been duly given when enclosed in a properly sealed envelope or wrapper addressed as aforesaid, registered or certified and deposited (postage or registration or certification fee prepaid) in a post office or branch post office. The parties may use email delivery, so long as the message is clearly marked, sent to the email address(es) set forth herein, and a delivery receipt and a read receipt are made part of the message. Email delivery will be deemed to occur when the sender receives confirmation that such message has been received and read by the recipient. Emails to the Corporation shall be delivered to CorpSecretary@McKesson.com.

4. Administrator Decisions Conclusive. All decisions of the Administrator administering the Plan upon any questions arising under the Plan or under an Award Agreement, shall be conclusive and binding on all interested persons.

5. No Effect on Other Benefit Plans. Nothing herein contained shall affect a Participant's right to participate in and receive benefits from and in accordance with the then current provisions of any pensions, insurance or other employment welfare plan or program offered by the Corporation.

6. Withholding. Regardless of any action the Corporation or the Employer takes with respect to any federal, state or local income tax, social insurance contributions, payroll tax, payment on account or other tax-related items related to the Participant's participation in the Plan and legally applicable to the Participant ("Tax-Related Items"), the Participant acknowledges that the ultimate liability for all Tax-Related Items is and remains the Participant's responsibility and may exceed the amount actually withheld by the Corporation or the Employer. The Participant further acknowledges that the Corporation and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Award, including the grant, vesting, settlement or exercise of the Award, as applicable, the subsequent sale of Shares acquired pursuant to the Plan and the receipt of any dividends and/or dividend equivalents; and (2) do not commit and are under no obligation to structure the terms of the grant or any aspect of the Award to reduce or eliminate the Participant's liability for Tax-Related Items or achieve any particular tax result. Further, if the Participant has become subject to tax in more than one jurisdiction between the Grant Date and the date of any relevant taxable event, the Participant acknowledges that the Corporation and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, as applicable, the Participant will pay or make adequate arrangements satisfactory to the Corporation and/or the Employer, or their respective agents, at their discretion, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following: (1) withholding from the Participant's wages or other cash compensation paid to the Participant by the Corporation and/or the Employer; (2) withholding from proceeds of the sale of Shares acquired under the Plan either through a voluntary sale or through a mandatory sale arranged by the Corporation (on the Participant's behalf pursuant to this authorization and any other authorization the Corporation and/or the broker designated by the Corporation may require the Participant to sign in connection with the sale of Shares); (3) withholding Shares to be issued upon grant, vesting/settlement or exercise, as applicable; or (4) any other method of withholding determined by the Corporation and to the extent required by applicable law or the Plan, approved by the Compensation Committee. Calculation of the number of Shares to be withheld shall be made based on the closing price of the Common Stock on the New York Stock Exchange on the date that the amount of tax to be withheld is determined. In no event, however, shall the Corporation be required to issue fractional Shares. With respect to an Award other than an Option, if adequate arrangements to satisfy the obligations with regard to all Tax-Related Items are not made by the Participant with the Corporation and/or the Employer prior to the relevant taxable event, the Corporation will satisfy such obligations as provided above in clause (3) of this paragraph.

The Corporation or the Employer may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates, including maximum applicable rates in the Participant's jurisdiction(s). If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, the Participant will be deemed to have been issued the full number of Shares subject to the Award, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of the Participant's participation in the Plan. In the event any excess amounts are withheld to satisfy the obligation for Tax-Related Items, the Participant may be entitled to receive a refund of any over-withheld amount (with no entitlement to the Share equivalent), or if not refunded by the Corporation or the Employer, the Participant must seek a refund from the local tax authorities to the extent the Participant wishes to recover the over-withheld amount in the form of a refund. In the event of under-withholding, the Participant may be required to pay any additional Tax-Related Items directly to the applicable tax authority or to the Corporation and/or the Employer.

Finally, the Participant shall pay to the Corporation or the Employer any amount of Tax-Related Items that the Corporation or the Employer may be required to withhold or account for as a result of the Participant's participation in the Plan that cannot be satisfied by the means previously described. The Corporation may refuse to issue or deliver the Shares or the proceeds of the sale of Shares if the Participant fails to comply with the Participant's obligations in connection with the Tax-Related Items.

The Administrator shall be authorized to establish such rules, forms and procedures as it deems necessary to implement the foregoing.

7. Successors. The Award Agreements shall be binding upon and inure to the benefit of any successor or successors of the Corporation. "Participant" as used herein shall include the Participant's Beneficiary.

8. Delaware Law. The interpretation, performance, and enforcement of all Award Agreements shall be governed by the laws of the State of Delaware.

9. Nature of Grant. In accepting the grant, the Participant acknowledges that:

(A) the Plan is established voluntarily by the Corporation, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Corporation at any time;

(B) the grant of the Award is exceptional, voluntary and occasional and does not create any contractual or other right to receive future Award grants, or benefits in lieu of Awards, even if Awards have been granted repeatedly in the past;

(C) all decisions with respect to future Awards, if any, will be at the sole discretion of the Corporation;

(D) the Participant is voluntarily participating in the Plan;

(E) the Award and the Shares subject to the Award, and the income from and value of same, are not part of normal or expected compensation for any purpose, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments;

(F) the Award will not be interpreted to form an employment contract or relationship with the Corporation; and furthermore, the Award will not be interpreted to form an employment contract with any subsidiary or Affiliate of the Corporation;

(G) the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;

(H) if the underlying Shares do not increase in value, the Options will have no value;

(I) no claim or entitlement to compensation or damages shall arise from forfeiture of the Award or the recovery by the Corporation of any Shares underlying the Award resulting from (i) termination of the Participant's employment with the Employer or the Corporation or one of its Affiliates (for any reason whatsoever, and whether or not such forfeiture is later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment agreement, if any) and/or (ii) the application of any clawback or compensation recoupment policy as described in Section 15 below; and in consideration of the grant of the Award to which the Participant is not otherwise entitled, the Participant irrevocably releases the Corporation or its Affiliates from any such claim that may arise; provided that, notwithstanding the foregoing, in the event any such claim is found by a court of competent jurisdiction to have arisen, then, by accepting the Award, the Participant shall be deemed irrevocably to have waived the Participant's entitlement to pursue such claim;

(J) for purposes of an Award, the Participant's employment relationship will be considered terminated as of the date the Participant is no longer a bona fide employee of the Corporation, the Employer or one of the Corporation's other Affiliates (regardless of the reason for such termination and whether or not later found to be invalid or in breach of the employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment agreement, if any), and unless otherwise expressly provided in this Award Agreement or determined by the Corporation in its sole discretion, the Participant's right to receive Awards and vest in Awards under the Plan, if any, will terminate effective as of such date and will not be extended by any notice period mandated under local law (for example, the Participant's period of service would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment agreement, if any); similarly, any right to exercise Options under the Plan after termination of employment will be measured as of the date the Participant is no longer a bona fide employee of the Corporation, the Employer or one of the Corporation's other Affiliates and will not be extended by any notice period mandated under local law; the Administrator shall have the sole discretion to determine when the Participant is no longer a bona fide employee for purposes of an Award (including whether the Participant may still be considered to be providing services while on a leave of absence);

(K) the Corporation is not providing any tax, legal or financial advice, nor is the Corporation making any recommendations regarding participation in the Plan or the Participant's acquisition or sale of Shares; and

(L) the Participant is hereby advised to consult with the Participant's own personal tax, legal and financial advisors regarding Participant's participation in the Plan before taking any action related to the Plan.

10. ***Data Privacy Information and Consent***.

(A) ***Data Collection and Usage. The Corporation and the Employer may collect, process and use certain personal information about the Participant, including, but not limited to, the Participant's name, home address and telephone number, email address, date of birth, social insurance number, passport or other identification number, salary, nationality, job title, any Shares or directorships held in the Corporation, details of all Options, Restricted Stock, Restricted Stock Units, Performance Stock Units, Other Share-Based Awards, or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in the Employee's favor ("Data"), for the purposes of implementing, administering and managing the Plan. The legal basis, where required, for the processing of Data is the Participant's consent.***

(B) ***Stock Plan Administration Service Providers. The Corporation transfers Data to Fidelity Stock Plan Services LLC and its affiliated companies, an independent service provider based in the United States, which is assisting the Corporation with the implementation, administration and management of the Plan. The Corporation may select a different service provider or additional service providers and share Data with such other provider serving in a similar manner. The Participant may be asked to agree on separate terms and data processing practices with the service provider, with such agreement being a condition to the ability to participate in the Plan.***

(C) ***International Data Transfers. The Corporation and its service providers are based in the United States. The Participant's country or jurisdiction may have different data privacy laws and protections than the United States. The Corporation's legal basis, where required, for the transfer of Data is the Participant's consent.***

(D) ***Data Retention. The Corporation will hold and use the Data only as long as is necessary to implement, administer and manage the Participant's participation in the Plan, or as required to comply with legal or regulatory obligations, including under tax and security laws. In the latter case, the Participant understands and acknowledges that the Corporation's legal basis for the processing of the Participant's Data would be compliance with the relevant laws or regulations or the pursuit by the Corporation of respective legitimate interests not outweighed by the Participant's interests, rights or freedoms. When the Corporation no longer needs the Participant's Data for any of the above purposes, the Participant understands the Corporation will remove it from its systems.***

(E) ***Voluntariness and Consequences of Consent Denial or Withdrawal. Participation in the Plan is voluntary and the Participant is providing the consents herein on a purely voluntary basis. If the Participant does not consent, or if the Participant later seeks to revoke the Participant's consent, the Participant's salary from or employment with the Employer will not be affected; the only consequence of refusing or withdrawing the Participant's consent is that the Corporation would not be able to grant Awards to the Participant or administer or maintain such Awards.***

(F) ***Data Subject Rights. The Participant may have a number of rights under data privacy laws in the Participant's jurisdiction. Depending on where the Participant is based, such rights may include the right to (i) inquire whether and what kind of Data the Corporation holds about the Participant and how it is processed, and to request access or copies of Data the Corporation processes, (ii) request the correction or supplementation of Data about the Participant that is inaccurate, incomplete or out-of-date in light of the purposes underlying the processing, (iii) obtain the erasure of Data no longer necessary for the purposes underlying the processing, processed based on withdrawn consent, processed for legitimate interests that, in the context of the Participant's objection, do not prove to be compelling, or processed in non-compliance with applicable legal requirements, (iv) request restrictions on processing of Data in certain situations where the Participant feels its processing is inappropriate, (v) request portability of the Participant's Data that the Participant has actively or passively provided to the Corporation (which does not include data derived or inferred from the collected data), where the processing of such Data is based on consent or the Participant's employment and is carried out by automated means, (vi) object, in certain circumstances, to the processing of Data for legitimate interests, (vii) lodge complaints with competent authorities in the Participant's jurisdiction, and/or (viii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, the Participant can contact his or her local human resources representative.***

By accepting the Award and indicating consent via the Corporation's acceptance procedure, the Participant is declaring that he or she agrees with the data processing practices described herein and consents to the collection, processing and use of Data by the Corporation and the transfer of Data to the recipients mentioned above, including recipients located in countries which do not adduce an adequate level of protection from a European (or other non-U.S.) data protection law perspective, for the purposes described above.

11. Severability. The provisions in this Statement of Terms and Conditions are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

12. Language. The Participant acknowledges that the Participant is proficient in the English language, or has consulted with an advisor who is sufficiently proficient in the English language, and, accordingly, understands the provisions of the Plan and this Statement of Terms and Conditions. If the Participant has received this Statement of Terms and Conditions or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control unless otherwise required by local law.

13. Electronic Delivery. The Corporation may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Corporation or a third party designated by the Corporation.

14. Section 409A. If (A) the Participant is a Specified Employee at the time of the Participant's Separation from Service, and (B) some or any portion of the amounts payable to the Participant, if any, when considered together with any other payments or benefits which may be considered deferred compensation under section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A") and subject to the plan aggregation rules under Treasury Regulation section 1.409A-1(c)(3)(viii) (together, the "Deferred Compensation Benefits") would result in the imposition of additional tax under Section 409A if paid to the Participant on or within the six month period following the Separation from Service, then to the extent such portion of the Deferred Compensation Benefits resulting in the imposition of additional tax would otherwise have been payable on or within the first six months following the Separation from Service, it will instead become payable on the first payroll date that occurs in the seventh month following the Separation from Service (or such longer period as is required to avoid the imposition of additional tax under Section 409A). All subsequent Deferred Compensation Separation Benefits, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit.

15. Recoupment. The Participant acknowledges that any Award granted under the Plan or a predecessor to the Plan shall be subject to the McKesson Corporation Compensation Recoupment Policy, as amended from time to time and the McKesson Corporation Financial Restatement Compensation Recoupment Policy, as amended from time to time, both of which are incorporated herein by reference. As an additional condition of receiving the Award, the Participant agrees that the grant of the Award and any benefits or proceeds therefrom that the Participant may receive hereunder shall be subject to forfeiture and/or repayment to the Corporation to the extent required to comply with any requirements imposed under applicable laws and/or the rules and regulations of the securities exchange or inter-dealer quotation system on which the Shares are listed or quoted.

IX. DEFINITIONS

When capitalized in this Statement of Terms and Conditions, the following terms shall have the meaning set forth below:

1. "Award Agreement" means an agreement between the Participant and the Corporation evidencing the grant of an Option, Restricted Stock Award, Restricted Stock Unit Award, Performance Stock Unit Award or Other Share-Based Award, as applicable.

2. "Cause" means termination of the Participant's employment with the Corporation or an Affiliate upon the Participant's negligent or willful engagement in misconduct which, in the sole determination of the Chief Executive Officer of the Corporation (or the Chief Executive Officer's designee), is injurious to the Corporation, its employees, or its customers.

3. "Early Retirement" means a termination of employment (other than due to death, Long-Term Disability or for Cause) which occurs prior to Normal Retirement but on or after the date on which the Participant's age (expressed in terms of years and completed months) plus service with the Corporation or an Affiliate equals 65. For purposes of determining eligibility for Early Retirement, the term "service" shall include years and completed whole months of service.

4. "Family Member" means any person identified as an "immediate family" member in Rule 16(a)-1(e) of the Exchange Act, as such Rule may be amended from time to time. Notwithstanding the foregoing, the Administrator may designate any other person(s) or entity(ies) as a "family member."

5. "Good Reason" means any of the following actions, if taken without the express written consent of the Participant:

(A) Any material change by the Corporation in the Participant's functions, duties, or responsibilities, which change would cause the Participant's position with the Corporation to become of less dignity, responsibility, importance, or scope from the position and attributes that applied to the Participant immediately prior to the Change in Control; provided, however, that, any such change attributable to the Corporation's no longer being a company with publicly traded common stock shall not constitute Good Reason; and provided, further, that a reduction in the Participant's functions, duties or responsibilities solely by virtue of the Corporation being acquired and made part of a larger entity (for example, if following a Change in Control the Participant retains the Participant's position, or has a comparable position, with respect to a division or subsidiary of the acquirer that contains the Corporation's business) shall not constitute Good Reason;

(B) Any significant reduction in the Participant's aggregate base annual salary and target incentive opportunity, as in effect immediately prior to the Change in Control;

(C) Any material failure by the Corporation to comply with any of the provisions of an Award subsequent to a Change in Control; or

(D) The Corporation's requiring the Participant to be based at any location which would increase the Participant's regular one-way commute by more than 25 miles from that in effect immediately preceding the Change in Control, except for travel reasonably required in the performance of the Participant's responsibilities;

Provided that the Participant gives notice to the Corporation of the existence of the Good Reason condition within 30 days of the initial existence of the Good Reason condition and the Corporation is provided 30 days after receipt of the Participant's notice to remedy the Good Reason condition; provided further that the Participant's Separation from Service must occur within six months from the initial existence of the Good Reason condition if the Corporation does not remedy such condition for such separation to be considered to be for Good Reason.

6. "Expiration Date" means the date that an Option expires as set forth in the Option Grant Notice as the "Expiration Date."

7. "Grant Date" means the date the Administrator grants the Award.

8. "Grant Notice" means the notice of an Award granted to the Participant, which sets forth certain terms of such Award.

9. "Long-Term Disability" means a physical or mental condition in respect of which the administrator of the Corporation's long-term disability plan has determined that the Participant is eligible to receive income replacement benefits; or, if the Participant is not then a participant in the Corporation's long-term disability plan, a physical or mental condition that the administrator of the Corporation's long-term disability plan determines would have rendered the Participant eligible to receive income replacement benefits, had the Participant been enrolled in such plan.

10. "Normal Retirement" means termination of employment (other than due to death, Long-Term Disability or for Cause) at or after age 55 with at least 10 years of service with the Corporation or an Affiliate. For purposes of determining eligibility for Normal Retirement, "service" shall mean completed whole years of service (12 consecutive months).

11. "Option Period" means the period commencing on the Grant Date of an Option and, except at otherwise provided in Section II.5, ending on the Expiration Date.

12. “Separation from Service” means termination of employment with the Corporation or an affiliate. A Participant shall be deemed to have had a Separation from Service if the Participant’s service with the Corporation or an affiliate is reduced to an annual rate that is equal to or less than 20% of the services rendered, on average, during the immediately preceding three years of service with the Corporation or an affiliate (or, if providing service to the Corporation or an affiliate for less than three years, such lesser period).

13. “Severance” means termination of employment with the Corporation or an Affiliate, and qualified for participation in and entitlement to benefits under the McKesson Corporation Severance Pay Plan or the McKesson Corporation Severance Policy for Executive Employees, as applicable, in accordance with the terms and conditions of such plans. A Participant outside the United States who is not qualified for participation in and entitlement to the benefits under such plans will nonetheless be treated for the limited purposes of his or her Awards, and subject to the provisions of Section VIII.9 of this Statement of Terms and Conditions, as terminated by reason of Severance to the extent his or her employment with the Corporation or an Affiliate is terminated and he or she would satisfy the conditions for termination for reason of Severance but for the fact that such plan is only applicable to employees of the Corporation or an Affiliate in the United States who qualify for participation in that plan.

14. “Short-Term Disability” means short-term disability as defined in the Corporation’s short-term disability plan.

15. “Specified Employee” means those employees identified by the Corporation as "Specified Employees" for purposes of Code Section 409A.

16. “Stock Ownership Policy” means the Corporation’s Stock Ownership Policy, as amended from time to time, which can be found on McKNet. A Participant or a Participant’s beneficiary may also request a copy of the Stock Ownership Policy by writing to the Corporate Secretary at McKesson Corporation, 6555 North State Highway 161, Irving, Texas 75039 or emailing CorpSecretary@McKesson.com.

McKESSON CORPORATION
STATEMENT OF TERMS AND CONDITIONS APPLICABLE TO
OPTIONS, RESTRICTED STOCK, RESTRICTED STOCK UNITS
AND PERFORMANCE STOCK UNITS GRANTED TO EMPLOYEES
PURSUANT TO THE 2022 STOCK PLAN

For Grants Beginning April 23, 2024

I. INTRODUCTION

The following terms and conditions shall apply to an Award granted under the Plan and are subject to the terms and conditions of the Plan. This Statement of Terms and Conditions is intended to meet the requirements of Code Section 409A and any rules promulgated thereunder. In the event of any inconsistency between this Statement of Terms and Conditions and the Plan, the Plan shall govern. Capitalized terms not otherwise defined in this Statement of Terms and Conditions shall have the meaning set forth in the Plan.

II. OPTIONS

1. Option Agreement. An Option granted under the Plan shall be evidenced by an Option Agreement setting forth the terms and conditions of the Option, including whether the Option is an Incentive Stock Option or a Nonstatutory Stock Option and the number of Shares subject to the Option. Each Option Grant Notice shall incorporate by reference and be subject to this Statement of Terms and Conditions, including the special terms and conditions in the Appendix for the Participant's country (if any) which forms part of this Statement of Terms and Conditions, and together both documents shall constitute the Option Agreement. The Option is also subject to the terms and conditions of the Plan.

2. Exercise Price. The Exercise Price of an Option, as specified in the Option Agreement, shall be equal to or greater than the Fair Market Value of the Shares underlying the Option on the Grant Date.

3. Option Period. An Option shall be exercisable only during the applicable Option Period, and during such Option Period the exercisability of the Option shall be subject to the vesting provisions of Section II.4 as modified by the rules set forth in Sections II.5 and VI. The Option Period shall be not more than seven years from the Grant Date.

4. Vesting of Right to Exercise Options

(A) Subject to Sections II.5 and VI, an Option shall be exercisable during the Option Period in accordance with the vesting terms and conditions established on the Grant Date and specified in the Option Grant Notice.

(B) Any vested portion of an Option not exercised hereunder shall accumulate and be exercisable at any time on or before the Expiration Date, subject to the rules set forth in Sections II.5 and VI. No Option may be exercised for less than 5% of the total number of Shares then available for exercise under such Option. In no event shall the Corporation be required to issue fractional Shares.

5. Limits on Option Period and Acceleration of Vesting. The Option Period may end before the Expiration Date, and in certain circumstances the vesting schedule of an Option may be accelerated (subject to the provisions of Section VI), as follows:

(A) If a Participant ceases to be a bona fide employee of the Corporation or of its Affiliates during the Option Period for reasons other than for Cause, Long-Term Disability, Normal Retirement, Early Retirement, Severance under the circumstances provided in Section II.5(F)(ii), or death, the Option Period shall end on the earlier of (i) 90 days after the date of the Participant's termination of employment and (ii) the Expiration Date, and in all cases the Option shall be exercisable only to the extent that it was exercisable at the time of such termination of employment. If a Participant is absent from work with the Corporation or an Affiliate because of the Participant's Short-Term Disability or because the Participant is on an approved leave of absence, the Participant shall not be deemed during the period of any such absence, by virtue of such absence alone, to have terminated employment with the Corporation or an Affiliate except as the Administrator may otherwise expressly determine.

(B) Notwithstanding any other provision in this Section II.5, if a Participant's employment is terminated for Cause during the Option Period, the Option Period shall end on the date of such termination of employment and the Option shall thereupon not be exercisable to any extent whatsoever.

(C) If a Participant ceases to be a bona fide employee of the Corporation or of its Affiliates during the Option Period by reason of Long-Term Disability, the vesting schedule of the Participant's Option shall be accelerated, the Option shall become fully exercisable and the Option Period shall end on the earlier of (i) three years after the date of the Participant's termination of employment and (ii) the Expiration Date.

(D) If a Participant ceases to be a bona fide employee of the Corporation or of its Affiliates during the Option Period by reason of Early Retirement, (i) the Option shall be exercisable only to the extent that it was exercisable at the time of such retirement and (ii) the Option Period for that portion of the Option designated as a Nonstatutory Stock Option shall end on the earlier of (a) three years after the date of such retirement and (b) the Expiration Date.

(E) If a Participant ceases to be a bona fide employee of the Corporation or of its Affiliates during the Option Period by reason of Normal Retirement:

(i) If such Normal Retirement occurs prior to the first anniversary of the Grant Date of the Option, such Option shall be subject to the provisions of Section II.5(D) as though the Participant were eligible for Early Retirement; or

(ii) If such Normal Retirement occurs on or after the first anniversary of the Grant Date of an Option, (a) that portion of the Option designated as a Nonstatutory Stock Option shall continue to vest as though the Participant had continued to be employed by the Corporation or one of its Affiliates during such vesting period, and (b) the Option Period for such portion of the Option designated as a Nonstatutory Stock Option shall end on the Expiration Date.

(F) If a Participant ceases to be a bona fide employee of the Corporation or of its Affiliates during the Option Period by reason of Severance, and

(i) The Participant has attained the requirements for Normal Retirement on or prior to the Participant's termination date, then such Option shall be subject to the Normal Retirement provisions of Section II.5(E); or

(ii) The Participant has not attained the requirements for Normal Retirement on or prior to the Participant's termination date, but would have attained the requirements for Normal Retirement within six months after the termination date, and

(a) The first anniversary of the Grant Date of the applicable Award has not occurred on or prior to the termination date, then such Option shall be subject to the Early Retirement provision in Section II.5(D); or

(b) The first anniversary of the Grant Date of the applicable Award has occurred on or prior to the termination date, then (x) that portion of the Option designated as a Nonstatutory Stock Option shall continue to vest as though the Participant had continued to be employed by the Corporation or one of its Affiliates during such vesting period, and (y) the Option Period for such portion of the Option designated as a Nonstatutory Stock Option shall end on the Expiration Date; or

(iii) The Participant has not attained the requirements for Normal Retirement on or prior to the Participant's termination date, and would not have attained the requirements for Normal Retirement within six months after the termination date, then (a) the vesting schedule of the Participant's Option shall be accelerated as to the portion of the Option that would have vested in accordance with the original vesting schedule as though the Participant had continued to be employed by the Corporation or one of its Affiliates six months after the termination date, and (b) the expiration of the Option Period provided in Section II.5(A) shall apply; provided that if the Participant is also eligible for Early Retirement at the time of the termination of employment, then the expiration of the Option Period provided in Section II.5(D) shall apply.

(G) If a Participant should die (i) while in the employ of the Corporation or an Affiliate and (ii) during the Option Period, the vesting schedule of the Participant's Option shall be accelerated and the Option shall become fully exercisable, the Option Period shall end on the earlier of (a) three years after the date of death and (b) the Expiration Date, and the Participant's Beneficiary may exercise the entire unexercised portion of the then exercisable Shares covered by such Option (or any lesser amount) remaining on the date of death.

(H) If a Participant who ceases to be a bona fide employee of the Corporation or an Affiliate is subsequently rehired prior to the expiration of the Participant's Option, then the Option shall continue to remain outstanding until the earlier of (i) such time as the Participant subsequently terminates employment and (ii) the Expiration Date. Upon the Participant's subsequent termination of employment, the post-termination exercise period calculated pursuant to the terms and conditions of this Section II.5 shall be reduced by the number of days between the date of the Participant's initial termination of employment and the Participant's re-hire date; provided, however, that if the rehired Participant continues to be employed by the Corporation or an Affiliate for at least one year from the Participant's rehire date, then the post termination exercise period for the Option shall be determined in accordance with Sections II.5(A) through (G) and shall not be adjusted as described in this Section II.5(H).

6. Method of Exercise. A Participant may exercise an Option with respect to all or any part of the exercisable Shares as follows:

(A) By giving the Corporation, or its authorized representative designated for this purpose, written notice of such exercise specifying the number of Shares as to which the Option is so exercised. Such notice shall be accompanied by an amount equal to the Exercise Price multiplied by the number of Shares exercised, in the form of any one or combination of the following: cash or a certified check, bank draft, postal or express money order payable to the order of the Corporation in lawful money of the United States. Unless otherwise determined by the Administrator in its sole discretion, the Participant may pay the Exercise Price, in whole or in part, by tendering to the Corporation or its authorized representative Shares, which have been owned by the Participant for at least six months prior to said tender, and having a fair market value, as determined by the Corporation, equal to the Exercise Price, or in lieu of the delivery of actual Shares in such tender, the Corporation may accept an attestation by the Participant, in a form prescribed by the Corporation or its authorized representative, that the Participant owns sufficient Shares of record or in an account in street name to satisfy the Exercise Price, and such attestation will be deemed a tender of Shares for purposes of this method of exercise. The Corporation or its authorized representative may accept payment of the amount due upon the exercise of the Option in the form of a Participant's personal check. Payment may also be made by delivery (including by FAX transmission) to the Corporation or its authorized representative of an executed irrevocable Option exercise form together with irrevocable instructions to an approved registered investment broker to sell Shares in an amount sufficient to pay the Exercise Price plus any applicable Tax-Related Items (as defined in Section VIII.6) and to transfer the proceeds of such sale to the Corporation.

(B) If required by the Corporation, by giving satisfactory assurance in writing, signed by the Participant, the Participant shall give the Participant's assurance that the Shares subject to the Option are being purchased for investment and not with a view to the distribution thereof; provided that such assurance shall be deemed inapplicable to (i) any sale of the Shares by such Participant made in accordance with the terms of a registration statement covering such sale, which has heretofore been (or may hereafter be) filed and become effective under the U.S. Securities Act of 1933, as amended (the "Securities Act") and with respect to which no stop order suspending the effectiveness thereof has been issued, and (ii) any other sale of the Shares with respect to which, in the opinion of counsel for the Corporation, such assurance is not required to be given in order to comply with the provisions of the Securities Act.

(C) As soon as practicable after receipt of the notice and the assurance described in Sections II.6(A) and (B), the Corporation shall, without transfer or issue tax (except for withholding tax arrangements contemplated in Section VIII.6) and without other incidental expense to the Participant, credit the purchased Shares to the Participant's brokerage account of record. If the Participant does not have a brokerage account of record, then the Corporation shall cause an appropriate book entry to be entered in the records of the Corporation's transfer agent recording the Participant's unrestricted interest in the purchased Shares; provided, however, that the time of such delivery may be postponed by the Corporation for such period as may be required for it with reasonable diligence to comply with applicable registration requirements under the Securities Act, the Exchange Act, any applicable listing requirements of any national securities exchange and requirements under any other law or regulation applicable to the issuance or transfer of the Shares.

7. Limitations on Transfer. An Option shall, during a Participant's lifetime, be exercisable only by the Participant. No Option or any right granted thereunder shall be transferable by the Participant by operation of law or otherwise, other than by will or the laws of descent and distribution. Notwithstanding the foregoing: (A) unless otherwise determined by the Administrator in its sole discretion, a Participant may designate a beneficiary to succeed, after the Participant's death, to all of the Participant's Options outstanding on the date of death; (B) a Nonstatutory Stock Option may be transferable pursuant to a qualified domestic relations order as defined in the Code or Title I of the U.S. Employee Retirement Income Security Act; and (C) any Participant, who is a senior executive officer recommended by the Chief Executive Officer of the Corporation and approved by the Administrator may voluntarily transfer any Nonstatutory Stock Option to a Family Member as a gift or through a transfer to an entity in which more than 50% of the voting interests are owned by Family Members (or the Participant) in exchange for an interest in that entity. In the event of any attempt by a Participant to alienate, assign, pledge, hypothecate, or otherwise dispose of an Option or of any right thereunder, except as provided herein, or in the event of the levy of any attachment, execution, or similar process upon the rights or interest hereby conferred, the Corporation at its election may terminate the affected Option by notice to the Participant and the Option shall thereupon become null and void.

8. No Stockholder Rights. Neither a Participant nor any person entitled to exercise a Participant's rights in the event of the Participant's death shall have any of the rights of a stockholder with respect to the Shares subject to an Option except to the extent that a book entry has been entered in the records of the Corporation's transfer agent with respect to such Shares upon the exercise of an Option.

III. RESTRICTED STOCK

1. Restricted Stock Agreement. A Restricted Stock Award granted under the Plan shall be evidenced by a Restricted Stock Agreement to be executed by the Participant and the Corporation setting forth the terms and conditions of the Restricted Stock Award. Each Restricted Stock Grant Notice shall incorporate by reference and be subject to this Statement of Terms and Conditions, including the special terms and conditions in the Appendix for the Participant's country (if any) which forms part of this Statement of Terms and Conditions, and together both documents shall constitute the Restricted Stock Agreement. The Restricted Stock Award is also subject to the terms and conditions of the Plan.

2. Rights with Respect to Shares of Restricted Stock Upon written acceptance of a Restricted Stock Award by a Participant, including the restrictions and other terms and conditions described in the Plan and the Restricted Stock Agreement, the Corporation shall cause an appropriate book entry to be entered in the records of the Corporation's transfer agent recording the Participant's interest in the Restricted Stock. From and after the Grant Date, the Participant shall have the rights of Common Stock ownership, including the right to vote and to receive dividends on Shares of Restricted Stock, subject to the terms, conditions and restrictions described in the Plan and the Restricted Stock Agreement.

3. Special Restrictions. Each Restricted Stock Award made under the Plan shall be subject to the following terms, conditions and restrictions and such additional terms, conditions and restrictions as may be determined by the Administrator; provided, however, that no Restricted Stock grant shall be subject to additional terms, conditions and restrictions which are more favorable to a Participant than the terms, conditions and restrictions set forth elsewhere in the Plan or the Restricted Stock Agreement.

(A) Restrictions. Until the restrictions imposed on any Restricted Stock grant shall lapse (the "Restriction Period"), Shares of Restricted Stock granted to a Participant (i) shall not be sold, assigned, transferred, pledged, hypothecated, or otherwise disposed of, other than pursuant to a qualified domestic relations order as defined in the Code or Title I of the U.S. Employee Retirement Income Security Act and (ii) shall, if the Participant's continuous employment with the Corporation or any of its Affiliates shall terminate for any reason (except as otherwise provided in the Plan, or in Section III.3(B) or Section III.3(C)) be returned to the Corporation forthwith, and all the rights of the Participant to such Shares shall immediately terminate. If a Participant is absent from work with the Corporation or an Affiliate because of the Participant's Short-Term Disability or because the Participant is on an approved leave of absence, the Participant shall not be deemed during the period of any such absence, by virtue of such absence alone, to have terminated employment with the Corporation or an Affiliate except as the Administrator may otherwise expressly determine.

(B) Termination of Employment by Reason of Death, Long-Term Disability or Normal Retirement. Notwithstanding any provision to the contrary contained in the Restricted Stock Grant Notice, if a Participant who has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date of a Restricted Stock Award ceases to be a bona fide employee of the Corporation or an Affiliate as a result of:

(i) Death or Long-Term Disability, then the restrictions imposed on any Restricted Stock Award shall lapse as to all Shares granted to such Participant pursuant to such Restricted Stock Award on the date of such termination; or

(ii) Normal Retirement on or after the first anniversary of the Grant Date of any time-vesting Restricted Stock Award, the restrictions applicable to such Restricted Stock Award shall continue to lapse at such time(s) as are set forth in the applicable Grant Notice, as though the Participant had continued to be employed by the Corporation or one of its Affiliates during such restricted period; provided, that notwithstanding any other provision of the Plan or this Statement of Terms and Conditions, this Section III.3(B)(ii) shall not apply to any Restricted Stock Award the vesting of which is based, in whole or in part, on attainment of performance objectives. The procedures set forth in Section VIII.6 will be applied for any taxes due upon the lapse of restrictions imposed on a Restricted Stock Award due to a Participant's Normal Retirement eligibility.

(C) Termination of Employment by Reason of Severance. Notwithstanding any provision to the contrary contained in the Restricted Stock Grant Notice, if a Participant who has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date of a Restricted Stock Award ceases to be a bona fide employee of the Corporation or an Affiliate as a result of Severance, and:

(i) The Participant either (a) has attained the requirements for Normal Retirement on or prior to the Participant's termination date or (b) would have attained the requirements for Normal Retirement within six months after the Participant's termination date, then any time-vesting Restricted Stock Award shall be subject to the Normal Retirement provisions of Section III.3(B)(ii); or

(ii) The Participant has not attained the requirements for Normal Retirement on or prior to the Participant's termination date, and would not have attained the requirements for Normal Retirement within six months after the Participant's termination date, then the restrictions applicable to any time-vesting Restricted Stock Award shall lapse upon the Participant's termination date, as to such Shares of Restricted Stock that would have vested at such time(s) as are set forth in the applicable Grant Notice as if the Participant had continued to be employed by the Corporation or one of its Affiliates during the six-month period after the Participant's termination date.

Notwithstanding the foregoing, this Section III.3(C) shall not apply to any Restricted Stock Award the vesting of which is based, in whole or in part, on attainment of performance objectives. The procedures set forth in Section VIII.6 will be applied for any taxes due upon the lapse of restrictions imposed on a Restricted Stock Award due to a Participant's Normal Retirement eligibility.

4. Dividends. Cash dividends paid with respect to Restricted Stock during the Restriction Period shall be credited on behalf of the Participant to a deferred cash account (in a manner designed to comply with Code Section 409A) and the restrictions on such cash dividends shall lapse at the same time that the restrictions lapse on the associated Restricted Stock Award. Stock dividends paid with respect to Restricted Stock during the Restriction Period shall be treated as Restricted Stock which shall be subject to the same restrictions as the original award for the duration of the Restriction Period.

5. Election to Recognize Gross Income in the Year of Grant If any Participant who is a U.S. taxpayer validly elects within 30 days of the Grant Date, to include in gross income for federal income tax purposes an amount equal to the fair market value of the Shares of Restricted Stock granted on the Grant Date, such Participant shall (at the same time or prior to the date that the Participant files the Participant's election with the Internal Revenue Service) (A) pay to the Corporation, or make arrangements satisfactory to the Administrator to pay to the Corporation in the year of such grant, any federal, state or local taxes required to be withheld with respect to such Shares in accordance with Section VIII.6, and (B) provide the Administrator with a copy of the election filed with the Internal Revenue Service.

6. Restrictive Legend. Each book entry in the records of the Corporation's transfer agent evidencing Shares granted pursuant to a Restricted Stock grant may bear an appropriate legend referring to the terms, conditions and restrictions described in the Plan and/or the Restricted Stock Agreement.

7. Expiration of Restriction Period. If and when the Restriction Period applicable to the Restricted Stock expires without a prior forfeiture, Shares shall be credited to the Participant's brokerage account of record. If the Participant does not have a brokerage account of record, then an appropriate book entry recording the Participant's interest in the unrestricted Shares shall be entered on the records of the Corporation's transfer agent.

IV. RESTRICTED STOCK UNITS

1. Restricted Stock Unit Agreement. Restricted Stock Units granted under the Plan shall be evidenced by a Restricted Stock Unit Agreement to be executed by the Participant and the Corporation setting forth the terms and conditions of the Restricted Stock Units. Each Restricted Stock Unit Grant Notice shall incorporate by reference and be subject to this Statement of Terms and Conditions, including the special terms and conditions in the Appendix for the Participant's country (if any) which forms part of this Statement of Terms and Conditions, and together both documents shall constitute the Restricted Stock Unit Agreement. The Restricted Stock Units are also subject to the terms and conditions of the Plan.

2. Special Restrictions. Restricted Stock Units granted under the Plan shall be subject to the following terms, conditions and restrictions and such additional terms, conditions and restrictions as may be determined by the Administrator, consistent with the terms of the Plan.

(A) Restrictions. If a Participant ceases to be a bona fide employee of the Corporation or any Affiliate (except as otherwise provided in the Plan, or in Section IV.2(B) or Section IV.2(C)) prior to the lapse of the restrictions imposed on the Award, the unvested Restricted Stock Units shall be canceled, and all the rights of the Participant to such Awards shall immediately terminate. If a Participant is absent from work with the Corporation or an Affiliate because of the Participant's Short-Term Disability or because the Participant is on an approved leave of absence, the Participant shall not be deemed during the period of any such absence, by virtue of such absence alone, to have terminated employment with the Corporation or an Affiliate except as the Administrator may otherwise expressly determine.

(B) Termination of Employment by Reason of Death, Long-Term Disability or Normal Retirement. Notwithstanding any provision contained to the contrary in the Restricted Stock Unit Grant Notice, if a Participant who has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date of such Award ceases to be a bona fide employee of the Corporation or an Affiliate as a result of:

(i) Death or Long-Term Disability, then the restrictions imposed on any Award of Restricted Stock Units shall lapse on the date of such termination; or

(ii) Normal Retirement on or after the first anniversary of the Grant Date of any time-vesting Restricted Stock Units, the restrictions applicable to such Restricted Stock Units shall continue to lapse at such time(s) as are set forth in the applicable Grant Notice, as though the Participant had continued to be employed by the Corporation or one of its Affiliates during such restricted period.

(C) Termination of Employment by Reason of Severance. Notwithstanding any provision to the contrary contained in the Restricted Stock Unit Grant Notice, if a Participant who has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date of a Restricted Stock Unit Award ceases to be a bona fide employee of the Corporation or an Affiliate as a result of Severance, and:

(i) The Participant either (a) has attained the requirements for Normal Retirement on or prior to the Participant’s termination date or (b) would have attained the requirements for Normal Retirement within six months after the Participant’s termination date, then any time-vesting Restricted Stock Unit Award shall be subject to the Normal Retirement provisions of Section IV.2(B)(ii); or

(ii) The Participant has not attained the requirements for Normal Retirement on or prior to the Participant’s termination date, and would not have attained the requirements for Normal Retirement within six months after the Participant’s termination date, then the restrictions applicable to any time-vesting Restricted Stock Unit Award shall lapse upon the termination date, as to such Restricted Stock Units that would have vested at such time(s) as are set forth in the applicable Grant Notice as if the Participant had continued to be employed by the Corporation or one of its Affiliates during the six-month period after the termination date.

3. Dividend Equivalents. Subject to the discretion of the Compensation Committee, dividend equivalents shall be credited in respect of Restricted Stock Units. Cash dividends shall be credited on behalf of the Participant to a deferred cash account (in a manner designed to comply with Code Section 409A) and the restrictions on such cash dividends shall lapse at the same time that the restrictions lapse on the associated Award of Restricted Stock Units, and cash dividends shall be paid in a lump sum at the same time that the Shares underlying the Restricted Stock Unit Award, and to which the cash dividends relate, are distributed. Stock dividends shall be converted into additional Restricted Stock Units, which will be subject to all of the terms and conditions of the underlying Restricted Stock Units, including the same vesting restrictions as the underlying Award.

4. Assignability. A Participant shall not be permitted to sell, transfer, pledge, assign or encumber Restricted Stock Units, other than pursuant to a qualified domestic relations order as defined in the Code or Title I of the U.S. Employee Retirement Income Security Act.

5. No Stockholder Rights. Neither a Participant nor any person entitled to exercise a Participant's rights in the event of the Participant's death shall have any of the rights of a stockholder with respect to an Award of Restricted Stock Units except to the extent that a book entry has been entered in the records of the Corporation's transfer agent with respect to the Shares paid upon the settlement of any vested Restricted Stock Units.

6. Time of Payment of Restricted Stock Units. Upon the lapse of the restriction imposed on Restricted Stock Units, all Restricted Stock Units that were not forfeited pursuant to Section IV.2(A), Section IV.2(B)(i), Section IV.2(C)(i), or Section VI shall be paid to the Participant as soon as reasonably practicable after the restrictions lapse. Payment shall be made in Shares to the Participant's brokerage account of record. If the Participant does not have a brokerage account of record, then in the form of an appropriate book entry entered in the records of the Corporation's transfer agent recording the Participant's unrestricted interest in the number of Shares subject to the Restricted Stock Units.

Notwithstanding the foregoing, if a Participant becomes eligible for Normal Retirement, or is eligible for additional vesting under Section IV.2(C)(ii), prior to the date of the lapse of restrictions imposed on Restricted Stock Units and the vesting provisions of Section IV.2(B)(ii) or Section IV.2(C)(ii) apply, then such Restricted Stock Units shall be paid to the Participant's brokerage account of record as soon as reasonably practicable after the earlier of the Participant's Separation from Service or the originally scheduled vesting date (in any event before the end of the calendar year in which such date occurs), subject to the delay of payment (if applicable) provided in Section VIII.14. The procedures set forth in Section VIII.6 will be applied for any taxes due upon the lapse of restrictions imposed on a Restricted Stock Unit Award due to a Participant's Normal Retirement eligibility or additional vesting as provided in Section IV.2(C)(ii).

V. PERFORMANCE STOCK UNITS

1. Award Agreement. Performance Stock Unit Awards shall be evidenced by a Performance Stock Unit Agreement to be executed by the Participant and the Corporation setting forth the terms and conditions of the Performance Stock Unit Award. Performance Stock Unit Awards are "Performance Awards" as provided under Section 10 of the Plan. Each Performance Stock Unit Agreement shall incorporate by reference and be subject to this Statement of Terms and Conditions, including the special terms and conditions in the Appendix for the Participant's country (if any) which forms part of this Statement of Terms and Conditions, and together both documents shall constitute the Performance Stock Unit Agreement. Performance Stock Unit Awards are also subject to the terms and conditions of the Plan.

2. Number of Shares Granted Based on Performance. The performance period of a Performance Stock Unit Award shall be greater than one year, and performance shall be based on such criteria as the Compensation Committee shall determine in its discretion at the beginning of the performance period. Following the end of the performance period, the Compensation Committee shall determine the extent to which the criteria have been achieved, and shall authorize the grant and issuance of Shares in respect of the Performance Stock Unit Award.

3. Special Conditions. Performance Stock Unit Awards shall be subject to the following terms, conditions and restrictions and such additional terms, conditions and restrictions as may be determined by the Compensation Committee, consistent with the terms of the Plan.

(A) Forfeiture. If a Participant ceases to be a bona fide employee of the Corporation or any Affiliate (except as otherwise provided in the Plan or in Section V.3(B) or Section V.3(C)) prior to the end of the performance period, any then-outstanding Performance Stock Units shall be canceled, and all the rights of the Participant to such Award shall immediately terminate. If a Participant is absent from work with the Corporation or an Affiliate because of the Participant's Short-Term Disability or because the Participant is on an approved leave of absence, the Participant shall not be deemed during the period of any such absence, by virtue of such absence alone, to have terminated employment with the Corporation or an Affiliate except as the Compensation Committee may otherwise expressly determine.

(B) Termination of Employment by Reason of Death, Long-Term Disability or Normal Retirement. Notwithstanding any provision contained herein or in the Plan or the Award Agreement to the contrary, if a Participant who has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date of such Award ceases to be a bona fide employee of the Corporation or an Affiliate as a result of:

(i) Death or Long-Term Disability, the Participant shall be eligible to receive, following completion of the applicable performance period, a prorated portion of each such Performance Stock Unit Award, equal to (1) the target number of Performance Stock Units subject to such Award, *multiplied by* (2) the performance criteria determined by the Compensation Committee to apply to such Award, *multiplied by* (3) a fraction, the numerator of which is the number of whole calendar months, rounded down to the nearest whole month, during which the Participant provided Service to the Corporation or an Affiliate during the performance period applicable to such Award, and the denominator of which is the number of calendar months in such performance period; provided, that for purposes of this clause (3), “whole calendar months” shall be calculated commencing on the applicable Grant Date; provided, however, that in no event shall such amount exceed any applicable cap or limitation set forth in the Performance Stock Unit Grant Notice; or

(ii) Normal Retirement on or after the first anniversary of the Grant Date, the Participant shall be eligible to vest in such Performance Stock Unit Award following completion of the applicable performance period, as though the Participant had continued to be employed by the Corporation or one of its Affiliates through the date on which the Compensation Committee determines performance against the applicable performance goals.

Amounts, if any, to be paid under this Section V.3(B) shall be paid in accordance with Section V.7 and, if applicable, Section VIII.14.

(C) Termination of Employment by Reason of Severance. Notwithstanding any provision to the contrary, if the Participant has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date and ceases to be a bona fide employee of the Corporation or an Affiliate as a result of Severance, and:

(i) The Participant either (a) has attained the requirements for Normal Retirement on or prior to the Participant's termination date or (b) would have attained the requirements for Normal Retirement within six months after the Participant's termination date, then any Performance Stock Unit Award shall be subject to the Normal Retirement provisions of Section V.3(B)(ii); or

(ii) The Participant has not attained the requirements for Normal Retirement on or prior to the Participant's termination date, and would not have attained the requirements for Normal Retirement within six months after the Participant's termination date, then if such Participant's termination date is no greater than six months prior to the date on which the Compensation Committee determines performance against the applicable performance goals, such Participant shall be eligible to vest in such Performance Stock Unit Award following completion of the applicable performance period, as though the Participant had continued to be employed by the Corporation or one of its Affiliates through such performance determination date.

Amounts, if any, to be paid under this Section V.3(C) shall be paid in accordance with Section V.7 and, if applicable, Section VIII.14.

4. Dividend Equivalents. Unless otherwise determined by the Compensation Committee in its sole discretion, Dividend Equivalents shall not be accrued with respect to Performance Stock Unit Awards during the performance period.

5. Assignability. A Participant shall not be permitted to sell, transfer, pledge, assign or encumber all or any portion of a Performance Stock Unit Award.

6. No Stockholder Rights. Neither a Participant nor any person entitled to exercise a Participant's rights in the event of the Participant's death shall have any of the rights of a stockholder with respect to a Performance Stock Unit Award, except to the extent that a book entry has been entered in the records of the Corporation's transfer agent with respect to the Shares paid upon the settlement of any Performance Stock Unit Award.

7. Time of Payment of Performance Stock Units. The Compensation Committee shall determine the extent to which Shares are payable pursuant to a Performance Stock Unit Award as soon as practicable following the end of the performance period, and such Shares shall be paid as soon as practicable thereafter and in any event no later than the end of the period under which payment would be deemed to be a "short-term deferral" as defined in the regulations under Code Section 409A. Payment shall be made in the form of Shares to the Participant's brokerage account of record. If the Participant does not have a brokerage account of record, then in the form of an appropriate book entry entered in the records of the Corporation's transfer agent recording the Participant's unrestricted interest in the number of Shares earned pursuant to the Performance Stock Unit Award.

VI. SPECIAL FORFEITURE AND REPAYMENT RULES

Any other provision of this Statement of Terms and Conditions to the contrary notwithstanding, if the Administrator determines that a Participant has engaged in any of the actions described in 3 below, the consequences set forth in 1 and 2 below shall result:

1. Any outstanding Option shall immediately and automatically terminate, be forfeited and shall cease to be exercisable, without limitation. In addition, any Award of Restricted Stock or Restricted Stock Units as to which the restrictions have not lapsed shall immediately and automatically be forfeited, Performance Stock Unit Awards shall immediately and automatically be forfeited and any such Shares of Restricted Stock shall be returned to the Corporation and all of the rights of the Participant to such Awards and the underlying Shares shall immediately terminate.

2. If the Participant exercised an Option within 12 months prior to the date upon which the Corporation discovered that the Participant engaged in any actions described in 3 below, the Participant, upon written notice from the Corporation, shall immediately pay to the Corporation the economic value realized or obtained by the exercise of such Option measured at the date of exercise. In addition, if the restrictions imposed on any Award of Restricted Stock or Restricted Stock Units (including any unpaid dividends or Dividend Equivalents) lapsed, or any Performance Stock Unit Award was settled, within 12 months prior to the date the Corporation discovered that the Participant engaged in any action described in 3 below, the Participant, upon written notice from the Corporation, shall immediately pay to the Corporation the economic value realized or obtained with respect to such Award, measured at the date such Award vested.

3. The consequences described in 1 and 2 above shall apply if the Participant, either before or after termination of employment with the Corporation or its Affiliates:

(A) Discloses to others, or takes or uses for the Participant's own purpose or the purpose of others, any trade secrets, confidential information, knowledge, data or know-how or any other proprietary information or intellectual property belonging to the Corporation or its Affiliates and obtained by the Participant during the term of the Participant's employment, whether or not they are the Participant's work product. Examples of such confidential information or trade secrets include, without limitation, customer lists, supplier lists, pricing and cost data, computer programs, delivery routes, advertising plans, wage and salary data, financial information, research and development plans, processes, equipment, product information and all other types and categories of information as to which the Participant knows or has reason to know that the Corporation or its Affiliates intends or expects secrecy to be maintained;

(B) Fails to promptly return all documents and other tangible items belonging to the Corporation or its Affiliates in the Participant's possession or control, including all complete or partial copies, recordings, abstracts, notes or reproductions of any kind made from or about such documents or information contained therein, upon termination of employment, whether pursuant to retirement or otherwise;

(C) Fails to provide the Corporation with at least 30 days' written notice prior to directly or indirectly engaging in, becoming employed by, or rendering services, advice or assistance to any business in competition with the Corporation or its Affiliates. As used herein, "business in competition" means any person, organization or enterprise which is engaged in or is about to become engaged in any line of business engaged in by the Corporation or its Affiliates at the time of the termination of the Participant's employment with the Corporation or its Affiliates;

(D) Fails to inform any new employer, before accepting employment, of the terms of this paragraph and of the Participant's continuing obligation to maintain the confidentiality of the trade secrets and other confidential information belonging to the Corporation or its Affiliates and obtained by the Participant during the term of the Participant's employment with the Corporation or any of its Affiliates;

(E) Induces or attempts to induce, directly or indirectly, any of the customers of the Corporation or its Affiliates, employees, representatives or consultants to terminate, discontinue or cease working with or for the Corporation or its Affiliates, or to breach any contract with the Corporation or any of its Affiliates, in order to work with or for, or enter into a contract with, the Participant or any third party;

(F) Engages in conduct which is not in good faith and which disrupts, damages, impairs or interferes with the business, reputation or employees of the Corporation or its Affiliates; or

(G) Fails to meet the Participant's continuing obligations with respect to non-disclosure, non-competition and/or non-solicitation under the Participant's agreement with the Corporation or any Affiliate.

The Administrator shall determine in its sole discretion whether the Participant has engaged in any of the acts set forth in (A) through (G) above, and its determination shall be conclusive and binding on all interested persons.

Any provision of this Section VI which is determined by a court of competent jurisdiction to be invalid or unenforceable should be construed or limited in a manner that is valid and enforceable and that comes closest to the business objectives intended by such invalid or unenforceable provision, without invalidating or rendering unenforceable the remaining provisions of this Section VI.

VII. CHANGE IN CONTROL

If as a result of a Change in Control, the Common Stock ceases to be listed for trading on a national securities exchange (an "Exchange"), any Option, Restricted Stock Award, Restricted Stock Unit Award or Performance Stock Unit Award that is unvested on the effective date of the Change in Control shall continue to vest according to the terms and conditions of such Award, provided that such Award is replaced with an award for voting securities of the resulting corporation or the acquiring corporation, as the case may be, (including without limitation, the voting securities of any corporation which as a result of the Change in Control owns the Corporation or all or substantially all of the Corporation's assets either directly or through one or more subsidiaries) (the "Surviving Company") which are traded on an Exchange (a "Replacement Award"), which Replacement Award, (i) in the case of an Option, shall consist of an option with the number of underlying shares and exercise price determined in a manner consistent with Code Section 424(a) with vesting and any other terms continuing in the same manner as the replaced Option; (ii) in the case of a Performance Stock Unit Award, shall consist of restricted stock or restricted stock units with a value (determined using the Surviving Company's stock price as of the effective date of the Change in Control) equal to the value of the Performance Stock Unit Award (determined using the Corporation's stock price and assuming attainment of target performance or actual performance achieved, if greater, as of the effective date of the Change in Control), with any restrictions on such Replacement Award lapsing at the end of the measuring period over which performance for the replaced Performance Stock Unit Award was to be measured prior to the granting of the Replacement Award; and (iii) in the case of a Restricted Stock Award or Restricted Stock Unit Award, shall consist of restricted stock or restricted stock units with a value (determined using the Surviving Company's stock price as of the effective date of the Change in Control) equal to the value of the Restricted Stock Award or Restricted Stock Unit Award (determined using the Corporation's stock price as of the effective date of the Change in Control), with any restrictions on such restricted stock or restricted stock units lapsing at the same time and manner as the replaced Award; provided, however, that in the event of the Participant's involuntary Separation from Service by the Corporation without Cause or Separation from Service by the Participant for Good Reason during the vesting period of any Replacement Award, the Replacement Award shall immediately vest and be paid as soon as practicable following such Separation from Service (subject to Section VIII.14), based on the fair market value of the underlying shares on the vesting date, or in the case of options, based on the excess of the fair market value of the underlying shares over the option exercise price on the vesting date. If any Option, Restricted Stock Award, Restricted Stock Unit Award or Performance Stock Unit Award that is unvested at the effective time of the Change in Control is not replaced with a Replacement Award, such Award shall immediately vest and, in the case of a Performance Stock Unit Award, shall vest based upon deemed attainment of target performance or actual performance achieved, if greater.

If as a result of a Change in Control, the Common Stock continues to be listed for trading on an Exchange, any unvested Option, Restricted Stock Award, or Restricted Stock Unit Award shall continue to vest according to the terms and conditions of such Award and any Performance Stock Unit Award shall be replaced with a Restricted Stock Unit Award where the number of shares subject to such Restricted Stock Unit Award shall be equal to the number of Shares assuming attainment of target performance or actual performance achieved, if greater, as of the effective date of the Change in Control with any restrictions on such Restricted Stock Unit Award lapsing at the end of the measuring period over which performance for the replaced Performance Stock Unit Award was to be measured prior to the granting of the Replacement Award; provided however, that, in the event of the Participant's involuntary Separation from Service by the Corporation without Cause or Separation from Service by the Participant for Good Reason during the vesting period of an Award, such Award shall immediately vest and be paid as soon as practicable following such Separation from Service (subject to Section VIII.14).

VIII. MISCELLANEOUS

1. No Effect on Terms of Employment. Participation in the Plan shall not create a right to further employment with the Participant's employer (the "Employer") and shall not interfere with the ability of the Employer to terminate, with or without cause, or change the terms of employment of a Participant at any time.

2. Grants to Participants in Foreign Countries. In making grants to Participants in foreign countries, the Administrator has the full discretion to deviate from this Statement of Terms and Conditions in order to adjust grants under the Plan to prevailing local conditions, including custom and legal and tax requirements. Furthermore, the Corporation reserves the right to impose other requirements on the Participant's participation in the Plan on the Award and on any Shares acquired under the Plan, to the extent the Corporation determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require the Participant to sign any additional agreements or undertaking that may be necessary to accomplish the foregoing.

3. Information Notification. Any information required to be given under the terms of an Award shall be addressed to the Corporation in care of its Corporate Secretary at McKesson Corporation, 6555 North State Highway 161, Irving, Texas 75039, and any notice to be given to a Participant shall be addressed to such Participant at the address indicated beneath the Participant's name on the Award Agreement or such other address as either party may designate in writing to the other. Any such notice shall be deemed to have been duly given when enclosed in a properly sealed envelope or wrapper addressed as aforesaid, registered or certified and deposited (postage or registration or certification fee prepaid) in a post office or branch post office. The parties may use email delivery, so long as the message is clearly marked, sent to the email address(es) set forth herein, and a delivery receipt and a read receipt are made part of the message. Email delivery will be deemed to occur when the sender receives confirmation that such message has been received and read by the recipient. Emails to the Corporation shall be delivered to CorpSecretary@McKesson.com.

4. Administrator Decisions Conclusive. All decisions of the Administrator administering the Plan upon any questions arising under the Plan or under an Award Agreement, shall be conclusive and binding on all interested persons.

5. No Effect on Other Benefit Plans. Nothing herein contained shall affect a Participant's right to participate in and receive benefits from and in accordance with the then current provisions of any pensions, insurance or other employment welfare plan or program offered by the Corporation.

6. Withholding. Regardless of any action the Corporation or the Employer takes with respect to any federal, state or local income tax, social insurance contributions, payroll tax, payment on account or other tax-related items related to the Participant's participation in the Plan and legally applicable to the Participant ("Tax-Related Items"), the Participant acknowledges that the ultimate liability for all Tax-Related Items is and remains the Participant's responsibility and may exceed the amount actually withheld by the Corporation or the Employer. The Participant further acknowledges that the Corporation and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Award, including the grant, vesting, settlement or exercise of the Award, as applicable, the subsequent sale of Shares acquired pursuant to the Plan and the receipt of any dividends and/or dividend equivalents; and (2) do not commit and are under no obligation to structure the terms of the grant or any aspect of the Award to reduce or eliminate the Participant's liability for Tax-Related Items or achieve any particular tax result. Further, if the Participant has become subject to tax in more than one jurisdiction between the Grant Date and the date of any relevant taxable event, the Participant acknowledges that the Corporation and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, as applicable, the Participant will pay or make adequate arrangements satisfactory to the Corporation and/or the Employer, or their respective agents, at their discretion, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following: (1) withholding from the Participant's wages or other cash compensation paid to the Participant by the Corporation and/or the Employer; (2) withholding from proceeds of the sale of Shares acquired under the Plan either through a voluntary sale or through a mandatory sale arranged by the Corporation (on the Participant's behalf pursuant to this authorization and any other authorization the Corporation and/or the broker designated by the Corporation may require the Participant to sign in connection with the sale of Shares); (3) withholding Shares to be issued upon grant, vesting/settlement or exercise, as applicable; or (4) any other method of withholding determined by the Corporation and to the extent required by applicable law or the Plan, approved by the Compensation Committee. Calculation of the number of Shares to be withheld shall be made based on the closing price of the Common Stock on the New York Stock Exchange on the date that the amount of tax to be withheld is determined. In no event, however, shall the Corporation be required to issue fractional Shares. With respect to an Award other than an Option, if adequate arrangements to satisfy the obligations with regard to all Tax-Related Items are not made by the Participant with the Corporation and/or the Employer prior to the relevant taxable event, the Corporation will satisfy such obligations as provided above in clause (3) of this paragraph.

The Corporation or the Employer may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates, including maximum applicable rates in the Participant's jurisdiction(s). If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, the Participant will be deemed to have been issued the full number of Shares subject to the Award, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of the Participant's participation in the Plan. In the event any excess amounts are withheld to satisfy the obligation for Tax-Related Items, the Participant may be entitled to receive a refund of any over-withheld amount (with no entitlement to the Share equivalent), or if not refunded by the Corporation or the Employer, the Participant must seek a refund from the local tax authorities to the extent the Participant wishes to recover the over-withheld amount in the form of a refund. In the event of under-withholding, the Participant may be required to pay any additional Tax-Related Items directly to the applicable tax authority or to the Corporation and/or the Employer.

Finally, the Participant shall pay to the Corporation or the Employer any amount of Tax-Related Items that the Corporation or the Employer may be required to withhold or account for as a result of the Participant's participation in the Plan that cannot be satisfied by the means previously described. The Corporation may refuse to issue or deliver the Shares or the proceeds of the sale of Shares if the Participant fails to comply with the Participant's obligations in connection with the Tax-Related Items.

The Administrator shall be authorized to establish such rules, forms and procedures as it deems necessary to implement the foregoing.

7. Successors. The Award Agreements shall be binding upon and inure to the benefit of any successor or successors of the Corporation. "Participant" as used herein shall include the Participant's Beneficiary.

8. Delaware Law. The interpretation, performance, and enforcement of all Award Agreements shall be governed by the laws of the State of Delaware.

9. Nature of Grant. In accepting the grant, the Participant acknowledges that:

(A) the Plan is established voluntarily by the Corporation, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Corporation at any time;

(B) the grant of the Award is exceptional, voluntary and occasional and does not create any contractual or other right to receive future Award grants, or benefits in lieu of Awards, even if Awards have been granted repeatedly in the past;

(C) all decisions with respect to future Awards, if any, will be at the sole discretion of the Corporation;

(D) the Participant is voluntarily participating in the Plan;

(E) the Award and the Shares subject to the Award, and the income from and value of same, are not part of normal or expected compensation for any purpose, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments;

(F) the Award will not be interpreted to form an employment contract or relationship with the Corporation; and furthermore, the Award will not be interpreted to form an employment contract with any subsidiary or Affiliate of the Corporation;

(G) the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;

(H) if the underlying Shares do not increase in value, the Options will have no value;

(I) no claim or entitlement to compensation or damages shall arise from forfeiture of the Award or the recovery by the Corporation of any Shares underlying the Award resulting from (i) termination of the Participant's employment with the Employer or the Corporation or one of its Affiliates (for any reason whatsoever, and whether or not such forfeiture is later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment agreement, if any) and/or (ii) the application of any clawback or compensation recoupment policy as described in Section 15 below; and in consideration of the grant of the Award to which the Participant is not otherwise entitled, the Participant irrevocably releases the Corporation or its Affiliates from any such claim that may arise; provided that, notwithstanding the foregoing, in the event any such claim is found by a court of competent jurisdiction to have arisen, then, by accepting the Award, the Participant shall be deemed irrevocably to have waived the Participant's entitlement to pursue such claim;

(J) for purposes of an Award, the Participant's employment relationship will be considered terminated as of the date the Participant is no longer a bona fide employee of the Corporation, the Employer or one of the Corporation's other Affiliates (regardless of the reason for such termination and whether or not later found to be invalid or in breach of the employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment agreement, if any), and unless otherwise expressly provided in this Award Agreement or determined by the Corporation in its sole discretion, the Participant's right to receive Awards and vest in Awards under the Plan, if any, will terminate effective as of such date and will not be extended by any notice period mandated under local law (for example, the Participant's period of service would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment agreement, if any); similarly, any right to exercise Options under the Plan after termination of employment will be measured as of the date the Participant is no longer a bona fide employee of the Corporation, the Employer or one of the Corporation's other Affiliates and will not be extended by any notice period mandated under local law; the Administrator shall have the sole discretion to determine when the Participant is no longer a bona fide employee for purposes of an Award (including whether the Participant may still be considered to be providing services while on a leave of absence);

(K) the Corporation is not providing any tax, legal or financial advice, nor is the Corporation making any recommendations regarding participation in the Plan or the Participant's acquisition or sale of Shares; and

(L) the Participant is hereby advised to consult with the Participant's own personal tax, legal and financial advisors regarding Participant's participation in the Plan before taking any action related to the Plan.

10. ***Data Privacy Information and Consent.***

(A) ***Data Collection and Usage. The Corporation and the Employer may collect, process and use certain personal information about the Participant, including, but not limited to, the Participant's name, home address and telephone number, email address, date of birth, social insurance number, passport or other identification number, salary, nationality, job title, any Shares or directorships held in the Corporation, details of all Options, Restricted Stock, Restricted Stock Units, Performance Stock Units, Other Share-Based Awards, or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in the Employee's favor ("Data"), for the purposes of implementing, administering and managing the Plan. The legal basis, where required, for the processing of Data is the Participant's consent.***

(B) ***Stock Plan Administration Service Providers. The Corporation transfers Data to Fidelity Stock Plan Services LLC and its affiliated companies, an independent service provider based in the United States, which is assisting the Corporation with the implementation, administration and management of the Plan. The Corporation may select a different service provider or additional service providers and share Data with such other provider serving in a similar manner. The Participant may be asked to agree on separate terms and data processing practices with the service provider, with such agreement being a condition to the ability to participate in the Plan.***

(C) ***International Data Transfers. The Corporation and its service providers are based in the United States. The Participant's country or jurisdiction may have different data privacy laws and protections than the United States. The Corporation's legal basis, where required, for the transfer of Data is the Participant's consent.***

(D) ***Data Retention. The Corporation will hold and use the Data only as long as is necessary to implement, administer and manage the Participant's participation in the Plan, or as required to comply with legal or regulatory obligations, including under tax and security laws. In the latter case, the Participant understands and acknowledges that the Corporation's legal basis for the processing of the Participant's Data would be compliance with the relevant laws or regulations or the pursuit by the Corporation of respective legitimate interests not outweighed by the Participant's interests, rights or freedoms. When the Corporation no longer needs the Participant's Data for any of the above purposes, the Participant understands the Corporation will remove it from its systems.***

(E) ***Voluntariness and Consequences of Consent Denial or Withdrawal. Participation in the Plan is voluntary and the Participant is providing the consents herein on a purely voluntary basis. If the Participant does not consent, or if the Participant later seeks to revoke the Participant's consent, the Participant's salary from or employment with the Employer will not be affected; the only consequence of refusing or withdrawing the Participant's consent is that the Corporation would not be able to grant Awards to the Participant or administer or maintain such Awards.***

(F) ***Data Subject Rights. The Participant may have a number of rights under data privacy laws in the Participant's jurisdiction. Depending on where the Participant is based, such rights may include the right to (i) inquire whether and what kind of Data the Corporation holds about the Participant and how it is processed, and to request access or copies of Data the Corporation processes, (ii) request the correction or supplementation of Data about the Participant that is inaccurate, incomplete or out-of-date in light of the purposes underlying the processing, (iii) obtain the erasure of Data no longer necessary for the purposes underlying the processing, processed based on withdrawn consent, processed for legitimate interests that, in the context of the Participant's objection, do not prove to be compelling, or processed in non-compliance with applicable legal requirements, (iv) request restrictions on processing of Data in certain situations where the Participant feels its processing is inappropriate, (v) request portability of the Participant's Data that the Participant has actively or passively provided to the Corporation (which does not include data derived or inferred from the collected data), where the processing of such Data is based on consent or the Participant's employment and is carried out by automated means, (vi) object, in certain circumstances, to the processing of Data for legitimate interests, (vii) lodge complaints with competent authorities in the Participant's jurisdiction, and/or (viii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, the Participant can contact his or her local human resources representative.***

By accepting the Award and indicating consent via the Corporation's acceptance procedure, the Participant is declaring that he or she agrees with the data processing practices described herein and consents to the collection, processing and use of Data by the Corporation and the transfer of Data to the recipients mentioned above, including recipients located in countries which do not adduce an adequate level of protection from a European (or other non-U.S.) data protection law perspective, for the purposes described above.

11. Severability. The provisions in this Statement of Terms and Conditions are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

12. Language. The Participant acknowledges that the Participant is proficient in the English language, or has consulted with an advisor who is sufficiently proficient in the English language, and, accordingly, understands the provisions of the Plan and this Statement of Terms and Conditions. If the Participant has received this Statement of Terms and Conditions or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control unless otherwise required by local law.

13. Electronic Delivery. The Corporation may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Corporation or a third party designated by the Corporation.

14. Section 409A. If (A) the Participant is a Specified Employee at the time of the Participant's Separation from Service, and (B) some or any portion of the amounts payable to the Participant, if any, when considered together with any other payments or benefits which may be considered deferred compensation under section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A") and subject to the plan aggregation rules under Treasury Regulation section 1.409A-1(c)(3)(viii) (together, the "Deferred Compensation Benefits") would result in the imposition of additional tax under Section 409A if paid to the Participant on or within the six month period following the Separation from Service, then to the extent such portion of the Deferred Compensation Benefits resulting in the imposition of additional tax would otherwise have been payable on or within the first six months following the Separation from Service, it will instead become payable on the first payroll date that occurs in the seventh month following the Separation from Service (or such longer period as is required to avoid the imposition of additional tax under Section 409A). All subsequent Deferred Compensation Separation Benefits, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit.

15. Recoupment. The Participant acknowledges that any Award granted under the Plan or a predecessor to the Plan shall be subject to the McKesson Corporation Compensation Recoupment Policy, as amended from time to time and the McKesson Corporation Financial Restatement Compensation Recoupment Policy, as amended from time to time, both of which are incorporated herein by reference. As an additional condition of receiving the Award, the Participant agrees that the grant of the Award and any benefits or proceeds therefrom that the Participant may receive hereunder shall be subject to forfeiture and/or repayment to the Corporation to the extent required to comply with any requirements imposed under applicable laws and/or the rules and regulations of the securities exchange or inter-dealer quotation system on which the Shares are listed or quoted.

IX. DEFINITIONS

When capitalized in this Statement of Terms and Conditions, the following terms shall have the meaning set forth below:

1. "Award Agreement" means an agreement between the Participant and the Corporation evidencing the grant of an Option, Restricted Stock Award, Restricted Stock Award, Performance Stock Unit Award or Other Share-Based Award, as applicable.

2. "Cause" means termination of the Participant's employment with the Corporation or an Affiliate upon the Participant's negligent or willful engagement in misconduct which, in the sole determination of the Chief Executive Officer of the Corporation (or the Chief Executive Officer's designee), is injurious to the Corporation, its employees, or its customers.

3. "Early Retirement" means a termination of employment (other than due to death, Long-Term Disability or for Cause) which occurs prior to Normal Retirement but on or after the date on which the Participant's age (expressed in terms of years and completed months) plus service with the Corporation or an Affiliate equals 65. For purposes of determining eligibility for Early Retirement, the term "service" shall include years and completed whole months of service.

4. "Family Member" means any person identified as an "immediate family" member in Rule 16(a)-1(e) of the Exchange Act, as such Rule may be amended from time to time. Notwithstanding the foregoing, the Administrator may designate any other person(s) or entity(ies) as a "family member."

5. "Good Reason" means any of the following actions, if taken without the express written consent of the Participant:

(A) Any material change by the Corporation in the Participant's functions, duties, or responsibilities, which change would cause the Participant's position with the Corporation to become of less dignity, responsibility, importance, or scope from the position and attributes that applied to the Participant immediately prior to the Change in Control; provided, however, that, any such change attributable to the Corporation's no longer being a company with publicly traded common stock shall not constitute Good Reason; and provided, further, that a reduction in the Participant's functions, duties or responsibilities solely by virtue of the Corporation being acquired and made part of a larger entity (for example, if following a Change in Control the Participant retains the Participant's position, or has a comparable position, with respect to a division or subsidiary of the acquirer that contains the Corporation's business) shall not constitute Good Reason;

(B) Any significant reduction in the Participant's aggregate base annual salary and target incentive opportunity, as in effect immediately prior to the Change in Control;

(C) Any material failure by the Corporation to comply with any of the provisions of an Award subsequent to a Change in Control; or

(D) The Corporation's requiring the Participant to be based at any location which would increase the Participant's regular one-way commute by more than 25 miles from that in effect immediately preceding the Change in Control, except for travel reasonably required in the performance of the Participant's responsibilities;

Provided that the Participant gives notice to the Corporation of the existence of the Good Reason condition within 30 days of the initial existence of the Good Reason condition and the Corporation is provided 30 days after receipt of the Participant's notice to remedy the Good Reason condition; provided further that the Participant's Separation from Service must occur within six months from the initial existence of the Good Reason condition if the Corporation does not remedy such condition for such separation to be considered to be for Good Reason.

6. "Expiration Date" means the date that an Option expires as set forth in the Option Grant Notice as the "Expiration Date."

7. "Grant Date" means the date the Administrator grants the Award.

8. "Grant Notice" means the notice of an Award granted to the Participant, which sets forth certain terms of such Award.

9. "Long-Term Disability" means a physical or mental condition in respect of which the administrator of the Corporation's long-term disability plan has determined that the Participant is eligible to receive income replacement benefits; or, if the Participant is not then a participant in the Corporation's long-term disability plan, a physical or mental condition that the administrator of the Corporation's long-term disability plan determines would have rendered the Participant eligible to receive income replacement benefits, had the Participant been enrolled in such plan.

10. "Normal Retirement" means termination of employment (other than due to death, Long-Term Disability or for Cause) at or after age 55 with at least 10 years of service with the Corporation or an Affiliate. For purposes of determining eligibility for Normal Retirement, "service" shall mean completed whole years of service (12 consecutive months).

11. "Option Period" means the period commencing on the Grant Date of an Option and, except at otherwise provided in Section II.5, ending on the Expiration Date.

12. "Separation from Service" means termination of employment with the Corporation or an affiliate. A Participant shall be deemed to have had a Separation from Service if the Participant's service with the Corporation or an affiliate is reduced to an annual rate that is equal to or less than 20% of the services rendered, on average, during the immediately preceding three years of service with the Corporation or an affiliate (or, if providing service to the Corporation or an affiliate for less than three years, such lesser period).

13. "Severance" means termination of employment with the Corporation or an Affiliate, and qualified for participation in and entitlement to benefits under the McKesson Corporation Severance Pay Plan or the McKesson Corporation Severance Policy for Executive Employees, as applicable, in accordance with the terms and conditions of such plans. A Participant outside the United States who is not qualified for participation in and entitlement to the benefits under such plans will nonetheless be treated for the limited purposes of his or her Awards, and subject to the provisions of Section VIII.9 of this Statement of Terms and Conditions, as terminated by reason of Severance to the extent his or her employment with the Corporation or an Affiliate is terminated and he or she would satisfy the conditions for termination for reason of Severance but for the fact that such plan is only applicable to employees of the Corporation or an Affiliate in the United States who qualify for participation in that plan.

14. "Short-Term Disability" means short-term disability as defined in the Corporation's short-term disability plan.

15. “Specified Employee” means those employees identified by the Corporation as "Specified Employees" for purposes of Code Section 409A.

OUTSIDE DIRECTOR

FORM OF
MCKESSON CORPORATION 2022 STOCK PLAN
RESTRICTED STOCK UNIT GRANT NOTICE

Grantee Name:	
Number of RSUs Granted:	
Date of Grant:	

Vesting Schedule: **100% vested on grant date.**

McKesson Corporation (the "Company") is pleased to grant you restricted stock units ("RSUs") under the Company's 2022 Stock Plan, as may be amended from time to time (the "Plan") to receive shares of common stock of the Company ("Shares"). This Grant Notice ("Notice"), together with the Statement of Terms and Conditions, as provided as an attachment to this Notice (the "ST&Cs"), constitute your Restricted Stock Unit Agreement, which along with the Plan set forth the terms of your grant.

Below is a list of documents that are made available to you in connection with this Notice. **PLEASE BE SURE TO READ THESE DOCUMENTS BECAUSE THEY CONTAIN IMPORTANT INFORMATION SPECIFIC TO THIS GRANT OF RSUs.** This grant, along with any other outstanding awards under the Plan, can be viewed on the Fidelity web site at *www.Netbenefits.com*.

By signing below, I acknowledge that :

I agree to receive copies of the stockholder information, including copies of any annual report, proxy and Form 10-K, from the Investors section of the McKesson website at www.mckesson.com; and

I also acknowledge that copies of the Plan, Plan prospectus, Plan information and stockholder information are available upon written or telephonic request to the Corporate Secretary (1-855-466-2547); and

I have access to the Company's web site; and

I consent to receiving electronically a copy of the documents set forth above and attachments to this Notice; and

The Plan and ST&Cs are incorporated by reference to this Notice; and

The Company recommends that the Grantee consult with a tax advisor prior to accepting this grant of RSUs; and

I accept ALL the terms and conditions as set forth in the Plan and the ST&Cs applicable to this grant of RSUs.

IN WITNESS WHEREOF, the Grantee has executed this Agreement, and the Company has caused these presents to be executed in its name and on its behalf, all as of the Grant Date.

By:

Brian S. Tyler
Chief Executive Officer
McKesson Corporation

Grantee Signature

Date

ATTACHMENTS:
* 2022 Stock Plan
* 2022 Stock Plan Prospectus for Non-Employee Directors
* ST&Cs
* Hedging and Pledging Policy
* Appendix (Outside U.S. - country specific)

April 2024

FORM OF
MCKESSON CORPORATION 2022 STOCK PLAN
RESTRICTED STOCK UNIT GRANT NOTICE

Grantee Name:	
Number of RSUs Granted:	
Date of Grant:	
Vesting Schedule:	Please see Appendix

McKesson Corporation (the "Company") is pleased to grant you restricted stock units ("RSUs") under the Company's 2022 Stock Plan (the "Plan") which represent the contingent right to receive shares of common stock of the Company ("Shares"). This Grant Notice ("Notice"), together with the Statement of Terms and Conditions, as provided as an attachment to this Notice (the "ST&Cs"), constitute your Restricted Stock Unit Agreement. Your Restricted Stock Unit Agreement and your RSUs are subject to the terms of the Plan. The Company's Financial Restatement Compensation Recoupment Policy, the McKesson Compensation Recoupment Policy (together, the "Recoupment Policies") and the Company's Stock Ownership Policy (the "Stock Ownership Policy") are incorporated by reference into this Notice.

Below is a list of documents that are made available to you in connection with this Notice. **PLEASE BE SURE TO READ THESE DOCUMENTS BECAUSE THEY CONTAIN IMPORTANT INFORMATION SPECIFIC TO THIS GRANT OF RSUs.** This grant, along with any other outstanding awards under the Plan, can be viewed on the Fidelity web site at *www.Netbenefits.com*.

By signing below, I acknowledge that :

I agree to receive copies of the Plan, the Plan prospectus and other Plan information, including information prepared to comply with the laws outside the United States, from the Company's website and stockholder information, including copies of any annual report, proxy and Form 10-K, from the Investors section of the McKesson website at www.mckesson.com; and
I also acknowledge that copies of the Plan, Plan prospectus, Plan information and stockholder information are available upon written or telephonic request to the Corporate Secretary (1-855-466-2547); and
I have access to the Company's web site; and
I consent to receiving electronically a copy of the documents set forth above and attachments to this Notice; and
The Plan, the Recoupment Policies, the Stock Ownership Policy and ST&Cs are incorporated by reference into this Notice; and
The Company recommends that the Grantee consult with a tax advisor prior to accepting this grant of RSUs; and
I accept ALL the terms and conditions as set forth in the Plan and ST&Cs applicable to this grant of RSUs.

IN WITNESS WHEREOF, the Grantee has executed this Agreement, and the Company has caused these presents to be executed in its name and on its behalf, all as of the Grant Date.

Brian S. Tyler
Chief Executive Officer
McKesson Corporation

Grantee Signature

Date

ATTACHMENTS:
* 2022 Stock Plan
* 2022 Stock Plan Prospectus
* ST&Cs Applicable to _____
* Compensation Recoupment Policies
* Hedging and Pledging Policy (Section 16 only)
* Stock Ownership Policy (EOT only)
* Appendix (Outside U.S. – country-specific)

April 2024

FORM OF
MCKESSON CORPORATION 2022 STOCK PLAN
PERFORMANCE STOCK UNIT GRANT NOTICE

Grantee Name:	
Target PSUs Granted:	
Date of Grant:	
Performance Period:	FY 20__ - FY 20__

McKesson Corporation (the "Company") is pleased to grant you target performance stock units ("PSUs") under the Company's 2022 Stock Plan (the "Plan"). This Grant Notice ("Notice"), together with the Statement of Terms and Conditions, as provided with this Notice (the "ST&Cs"), constitute your Performance Stock Unit Agreement. Your Performance Stock Unit Agreement and your PSUs are subject to the terms of the Plan. The Company's Compensation Recoupment Policy, the Financial Restatement Compensation Recoupment Policy (together, the "Recoupment Policies"), and the Company's Stock Ownership Policy (the "Stock Ownership Policy") are incorporated by reference into this Notice.

Your PSUs will be earned subject to the Company's attainment of performance goals that have been pre-established by the Compensation and Talent Committee (the "Committee") of the Company's Board of Directors. You may receive 0% - 200% of the target number of PSUs set forth above. PSUs, if earned, will be paid in the form of shares of the Company's Common Stock ("Shares") that are not subject to any further vesting restrictions. The Committee has the sole discretion to determine the Company's performance against the pre-established goals after completion of the performance period, and to authorize the grant of Shares.

Below is a list of documents that are made available to you in connection with this Notice. **PLEASE BE SURE TO READ THESE DOCUMENTS BECAUSE THEY CONTAIN IMPORTANT INFORMATION SPECIFIC TO THIS GRANT OF PSUs.** This grant, along with any other outstanding awards under the Plan, can be viewed on the Fidelity web site at *www.Netbenefits.com*.

By signing below, I acknowledge that :
I agree to receive copies of the Plan, the Plan prospectus and other Plan information, including information prepared to comply with the laws outside the United States, from the Company's website and stockholder information, including copies of any annual report, proxy and Form 10-K, from the Investors section of the McKesson website at *www.mckesson.com*; and
I also acknowledge that copies of the Plan, Plan prospectus, Plan information and stockholder information are available upon written or telephonic request to the Corporate Secretary (1-855-466-2547); and
I have access to the Company's web site; and
I consent to receiving electronically a copy of the documents set forth above and attachments to this Notice; and
The Plan, the Recoupment Policies, the Stock Ownership Policy and ST&Cs are incorporated by reference into this Notice; and
I should consult with a tax advisor prior to accepting this grant of PSUs or taking any other action with respect to this grant of PSUs; and
I accept ALL the terms and conditions as set forth in the Plan and ST&Cs applicable to this grant of PSUs.

IN WITNESS WHEREOF, the Grantee has executed this Agreement, and the Company has caused these presents to be executed in its name and on its behalf, all as of the Grant Date.

Brian S. Tyler
Chief Executive Officer
McKesson Corporation

Grantee Signature

Date

Plan Documents and Related Policies

* 2022 Stock Plan
* 2022 Stock Plan Prospectus
* ST&Cs Applicable to _____
* Compensation Recoupment Policies
* Hedging and Pledging Policy (Section 16 only)
* Stock Ownership Policy (EOT only)
* Appendix (Outside U.S. - country specific)

April 2024

Exhibit 19.1

MCKESSON

Policy Name: Insider Trading Policy

Policy Type: Enterprise

1. General Policy Statement

Our Company is committed to complying with federal, state and foreign securities laws, including those that prohibit persons who are aware of Material Non-Public Information (MNPI) about any company from (i) trading in Securities of that company or (ii) providing MNPI or recommendations based on MNPI to persons who trade Securities based on that information ("Insider Trading Laws").

2. Scope

This policy applies to all employees of the Company and its business reporting segments, business units and direct and indirect subsidiaries ("affiliates"), and to non-management directors on the Company's board of directors. This policy governs transactions and transfers of ownership for all types of Securities whether related to the Company or another organization.

This policy, together with the Insider Trading Procedure and certain other supplemental policies and procedures, comprise our Insider Trading Policy Framework. Company personnel who are informed that they are subject to one or more of those supplemental policies and procedures must comply with this policy, the Insider Trading Procedure, and those other specified supplemental policies and procedures.

3. Resources to Get Help and Ask Questions

Please email StockPlanAdmin@mckesson.com with any questions about this policy. Refer to the Insider Trading Procedure for more information.

4. Foundational Policy Requirements

- ü Do not trade in Securities of any company while you are aware of MNPI about that company or its Securities.
- ü Keep all MNPI confidential until after it is Publicly Disclosed by the company to which that information relates.

5. Key Points to Remember

5.1 Insider Trading in Prohibited

- You are prohibited from engaging in any transaction or transfer of ownership in the Securities of any company while you are aware of MNPI about that company which you learn in the course of your work for the Company or any of its affiliates.
- This prohibition applies to transactions and transfers of ownership for your own account, for the account of an acquaintance, friend or family member, and for the account of any legal entity that you influence or control, such as a corporation, limited liability company, partnership or trust.

5.2 Unauthorized Disclosure of MNPI is Prohibited
• You are prohibited from disclosing, without authorization by the Company, Potential MNPI that you learn in the course of your work for the Company or any of its affiliates. You also are prohibited from recommending to any third party that they purchase or sell any Securities based on Potential MNPI, even if you do not reveal the Potential MNPI to them. Those activities may constitute illegal or unauthorized Tipping. • These prohibitions include disclosing information without authorization to colleagues at the Company whose jobs do not require them to have that information. • These prohibitions include disclosing information without authorization to persons outside of the Company such as acquaintances, family, friends, business associates, financial advisors or any other third parties. Your acquaintances, family, friends, business associates, financial advisors or any other third parties may violate Insider Trading Laws by trading Securities while they are aware of MNPI.

6. Penalties for Noncompliance

Your failure to comply with the Insider Trading Policy Framework and Insider Trading Laws could result in:

- Civil liability and sanctions;
- Criminal sanctions, including fines and imprisonment; and/or
- Disciplinary action by the Company up to and including termination of employment.

7. Exceptions

There are no exceptions to this policy, such as for small transactions, routine transactions or transactions that may seem necessary or justifiable for reasons independent of your awareness of MNPI (such as the need to raise money for an emergency expenditure).

8. Definitions

Company	McKesson Corporation
Insider Trading	Any person's illegal or unauthorized trading of any company's Securities while the person is aware of MNPI about that company.
Insider Trading Policy Framework	Includes the: Code of Conduct; Insider Trading Policy; Designated Insider Policy; Section 16 Insider Policy; Pre-Arranged Trading Plan Policy; and their related procedures. It also includes the Share Repurchase and Sale Policy applicable to the Company itself.
Material Information	Information that a reasonable investor likely would consider important in deciding to buy, hold or sell Securities.
Material Non-Public Information (MNPI)	Material Information that has not been Publicly Disclosed.

Potential MNPI	Information that, in the judgment of the Company's securities legal counsel, possibly might be considered MNPI based on, for example, an assessment of the likelihood that the information might develop into MNPI or be viewed in hindsight to have been MNPI at an earlier point in time. Refer to the Appendix to the Insider Trading Procedure for examples of types of information that should be treated as Potential MNPI.
Publicly Disclosed	The subject company has disclosed all of the Material Information about a topic using methods that are reasonably designed to provide broad, non-exclusionary distribution of the information to the public, and sufficient time has elapsed after disclosure for that information to be broadly disseminated to Securities market participants (generally allowing at least one trading day). Refer to the Fair Disclosure Policy for examples of disclosure methods.
Securities	Any type of securities that any company issues, such as common stock, preferred stock, options to purchase stock, convertible debentures and warrants, and any type of derivative securities relating to a company's securities, such as exchange-traded put or call options or swaps, whether or not issued by that company. This term is not limited to Securities related to the Company.
Tipping	Providing to a third party in violation of Insider Trading Laws or this policy any MNPI or any recommendation about trading in any company's Securities based on MNPI.

9. Resources and Related Policies and Procedures

- Code of Conduct
- Designated Insider Policy
- Fair Disclosure Policy
- Insider Trading Procedure
- Pre-Arranged Trading Plan Policy
- Section 16 Insider Policy

Executive Sponsor	Michele Lau
Policy Owner	Kirsten Jensen
Enterprise Function	General Counsel Organization
Subcategory	Law Department
Associated Risk & Tier	Regulatory Compliance
Effective Date	June 5, 2023
Last Review Date	May 2, 2024
Last Revision Date	May 2, 2024

Procedure Name: Insider Trading Procedure

Procedure Type: Enterprise

1. Purpose

This procedure provides guidance under the Insider Trading Policy, which is designed to mitigate the risk that persons who are aware of Material Non-Public Information (MNPI) about any company might violate the law by (i) trading in Securities of that company or (ii) providing MNPI or recommendations based on MNPI to persons who trade based on that information.

2. Scope

This procedure applies to all employees of the Company and its business reporting segments, business units and direct and indirect subsidiaries ("affiliates"), and to non-management directors on the Company's board of directors. The Insider Trading Policy governs transactions and transfers of ownership for all types of Securities whether related to the Company or another organization. Insider Trading Laws apply to all persons, including non-employees and former employees.

3. Resources to Get Help and Ask Questions

Please email StockPlanAdmin@mckesson.com with any questions about this procedure.

4. Procedure Requirements

4.1 How do I determine if information is Potential MNPI?

- Whether information should be considered Material Information is a legal judgment that is based on all the facts and circumstances. Regulators may make those determinations in hindsight, with the benefit of historical developments.
- You should be conservative in evaluating Potential MNPI and refrain from trading until that information is Publicly Disclosed or your trade is authorized by the Company's securities legal counsel.
- You should treat as Potential MNPI any information that reasonably could be expected to affect the market price of any Security upwards or downwards, until after that information has been Publicly Disclosed.
- The Appendix to this procedure includes examples of types of information that might be Potential MNPI.
- If you have questions regarding whether your planned transaction or transfer of ownership relating to Company Securities is permissible under the Insider Trading Policy or this procedure, you should submit a trading authorization request to StockPlanAdmin@mckesson.com and allow one business day for a response.

4.2 Authorization to Trade Securities is not Legal, Tax or Financial Advice

- Authorization from a Company representative for you to trade Securities does not constitute personal legal, tax or financial advice to you.
- A Trading Window Period or other form of authorization from the Company to trade in Securities does not create a legal safe harbor from an Insider Trading violation.
- In all cases, you are personally responsible for determining whether you are aware of MNPI and, if so, to refrain from trading in Securities to which that MNPI relates.
- The Company's attorneys represent the Company and its affiliates, not individuals. The securities laws are complex, and you should consider seeking advice from your personal legal counsel about your decisions to trade in any Securities.

4.3 How do I determine whether information was Publicly Disclosed?

- Confirm that the information was disclosed by the related company using a method such as those described in the Fair Disclosure Policy, and allow at least one trading day to pass after that public disclosure.
- Information contained in news media reports or social media outlets may not have been disclosed by the related company; it might instead be based on rumor, speculation or unauthorized leaks of MNPI. Always confirm that the related company confirmed the validity of the information disclosed.

4.4 Avoid Certain Higher Risk Securities Transactions

Certain types of Securities transactions involve a heightened legal risk and/or the appearance of improper or inappropriate conduct. You should avoid engaging in any of the types of transactions below related to Company Securities, unless you receive approval from the Company's securities legal counsel.

Securities Trades Based on Rumors or Speculation	Avoid speculative transactions in Company Securities, such as trades based on market rumors. Speculative transactions might create the appearance that you are trading while aware of MNPI and might be contrary to the interests of the Company's long-term Securities owners.
Short Sales	You are prohibited from engaging in short sales of Company common stock. For this purpose, a short sale is one involving securities that you do not own at the time of sale, or, if you own them at the time of sale, that are not delivered to the purchaser within 20 days after the sale or deposited in the mail or other usual channels of transportation within 5 days after the sale.
Trades in Options and Other Derivative Securities	You should avoid transactions in derivative Securities related to the Company, such as publicly traded put or call options for the Company's common stock. The short-term nature of options transactions may divert your focus from the Company's long-term objectives. This does not apply to options granted by the Company under equity compensation plans.

Hedging Transactions	Avoid hedging or monetization transactions involving Company Securities, such as prepaid variable forwards, equity swaps, collars, and exchange funds. These types of transactions could facilitate continued legal ownership of Company Securities, but without your bearing the full risks and rewards of beneficial ownership in alignment with the Company's long-term Securities owners.
Securities Pledges and Margin Accounts	You should avoid pledging Company Securities as collateral for a loan, including by holding them in a margin account. Securities held in a margin account, or as collateral for a loan, might be sold by the broker or lender without your consent at a time when you are aware of MNPI.
Standing Orders and Limit Orders	You should avoid placing standing orders to purchase or sell Company Securities, such as an order to sell common stock if the market price reaches a set limit. Standing orders might be executed by the broker without your consent at a time when you are aware of MNPI. Standing orders and limit orders are permitted pursuant to a pre-arranged trading plan that is approved by the Company and that is designed to comply with Securities and Exchange Commission (SEC) Rule 10b5-1. For more information, refer to the Pre-Arranged Trading Plan Policy and the Pre-Arranged Trading Plan Procedure.

4.5 Generally Permissible Types of Transactions	
Pre-Arranged Trading Plans	Transactions and transfers of ownership, including gifts, are permitted pursuant to a pre-arranged trading plan that is approved by the Company and that is designed to comply with SEC Rule 10b5-1. For more information, refer to the Pre-Arranged Trading Plan Policy and the Pre-Arranged Trading Plan Procedure.
Vesting of Stock Awards	• You are permitted to elect to have the Company retain a portion of the shares of the Company's common stock upon the vesting of your restricted stock units (RSUs) or performance stock units (PSUs), to satisfy your income tax withholding obligations. • Any sales or transfers of vested shares to persons other than the Company, however, are subject to the Insider Trading Policy.

Employee Stock Purchase Plan	• You are permitted to purchase shares of Company common stock resulting from your contributions to the Employee Stock Purchase Plan (ESPP). For more information, refer to the Pre-Arranged Trading Plan Procedure. • Your sales or transfers of Company common stock purchased pursuant to the ESPP, however, are subject to the Insider Trading Policy. • Those who elect to participate in the ESPP, or who want to make changes to their ESPP elections, are advised to do so during Trading Window Periods while not aware of MNPI.
Transactions with the Company	A purchase of Securities from the Company or sale of Securities to the Company is not subject to the Insider Trading Policy.
Exercise of Stock Options	• You are permitted to use cash (other than cash generated from a sale of the Company's Securities) to exercise vested options in the Company's common stock, and to hold the resulting shares. • You also are permitted to elect to have the Company retain a portion of the shares to satisfy your exercise price and tax withholding obligations upon a stock option exercise (a cashless net exercise and hold). • Any sales or transfers of shares to persons other than the Company, however, are subject to the Insider Trading Policy.
Dividend Reinvestment Plan	• You are permitted to purchase shares of common stock under the Company's dividend reinvestment plan (DRP). For more information, refer to the Pre-Arranged Trading Plan Procedure. • Your sales or transfers of Company common stock purchased pursuant to the DRP, however, are subject to the Insider Trading Policy. • Those who elect to participate in the DRP, or who want to make changes to their DRP elections, are advised to do so during Trading Window Periods while not aware of MNPI.
Bona Fide Gifts not Involving a Sale	You generally are permitted to make good faith gifts of the Company's common stock, unless you know that the recipient intends to sell the Securities while you are aware of MNPI. The SEC considers a bona fide gift to be a gift that is not required or inspired by any legal duty or that is in any sense a payment to settle a debt or other obligation, and is not made with the thought of reward for past services or hope for future consideration.
Investment in Mutual Funds	You are permitted to make purchases and sales of shares of index funds or other mutual funds that hold the Company's common stock.

4.6 Providing Instruction to Brokers and Financial Advisors
To avoid inadvertent violations of the Insider Trading Policy Framework and Insider Trading Laws, you should instruct your securities brokers or financial advisors to not make discretionary transactions involving Company Securities without your approval, which could include approval under a plan that complies with the Pre-Arranged Trading Plan Policy and the Pre-Arranged Trading Plan Procedure.

4.7 Unusual Trading Activity in Securities
• Securities enforcement authorities and market regulators monitor trading in stock and other Securities to identify circumstances in which the securities market might have been affected by information that was not Publicly Disclosed by the relevant company. They also routinely review trading that occurred prior to announcement of significant events and ask the Company whether it can identify any of the individuals who traded during that time. • The Company will cooperate with securities enforcement authorities and market regulators seeking information about potential violations of Insider Trading Laws.

5. Penalties for Noncompliance

Your failure to comply with the Insider Trading Policy Framework and Insider Trading Laws could result in:

- Civil liability and sanctions;
- Criminal sanctions, including fines and imprisonment; and/or
- Disciplinary action by the Company up to and including termination of employment.

6. Exceptions

There are no exceptions to this procedure, such as for small transactions, routine transactions or transactions that may seem necessary or justifiable for reasons independent of your awareness of MNPI (such as the need to raise money for an emergency expenditure).

7. Definitions

Company	McKesson Corporation
Insider Trading	Any person's illegal or unauthorized trading of any company's Securities while the person is aware of MNPI about that company.
Insider Trading Policy Framework	Includes the: Code of Conduct; Insider Trading Policy; Designated Insider Policy; Section 16 Insider Policy; Pre-Arranged Trading Plan Policy; and their related procedures. It also includes the Share Repurchase and Sale Policy applicable to the Company itself.

Insider Trading Laws	Federal, state and foreign securities laws that prohibit persons who are aware of MNPI about any company from (i) trading in Securities of that company or (ii) providing MNPI or recommendations based on MNPI to persons who trade Securities based on that information.
Material Information	Information that a reasonable investor likely would consider important in deciding to buy, hold or sell Securities.
Material Non-Public Information (MNPI)	Material Information that has not been Publicly Disclosed.
Potential MNPI	Information that, in the judgment of the Company's securities legal counsel, possibly might be considered MNPI based on, for example, an assessment of the likelihood that the information might develop into MNPI or be viewed in hindsight to have been MNPI at an earlier point in time. Refer to the Appendix to this procedure for examples of types of information that should be treated as Potential MNPI.
Publicly Disclosed	The subject company has disclosed all of the Material Information about a topic using methods that are reasonably designed to provide broad, non-exclusionary distribution of the information to the public, and sufficient time has elapsed after disclosure for the information to be broadly disseminated to Securities market participants (generally allowing at least one trading day). Refer to the Fair Disclosure Policy for examples of disclosure methods.
Securities	Any type of securities that any company issues, such as common stock, preferred stock, options to purchase stock, convertible debentures and warrants, and any type of derivative securities relating to a company's securities, such as exchange-traded put or call options or swaps, whether or not issued by that company. This term is not limited to Securities related to the Company.
Trading Window Period	A period made available by the Company (also called a trading window or a window period) that generally will: • Open upon the start of the New York Stock Exchange (NYSE) core trading session (normal start is 9:30 AM EST) immediately following the earlier of (i) the completion of one (whole or shortened) NYSE core trading session after the Company has Publicly Disclosed its quarterly earnings, or (ii) the passage of 24 hours after the Company has Publicly Disclosed its quarterly earnings; and • Close on the 15th day of the final month of the fiscal quarter, or if that date is not a NYSE regular trading day, then close on the immediately prior NYSE regular trading day.

8. Resources and Related Policies

- Code of Conduct
- Designated Insider Policy
- Fair Disclosure Policy
- Insider Trading Policy
- Pre-Arranged Trading Plan Policy
- Section 16 Insider Policy

Executive Sponsor	Michele Lau
Procedure Owner	Kirsten Jensen
Enterprise Function	General Counsel Organization
Subcategory	Law Department
Associated Risk & Tier	Regulatory Compliance
Effective Date	June 5, 2023
Last Review Date	May 2, 2024
Last Revision Date	May 2, 2024

Appendix

Examples of Potential MNPI

Although it is impossible to define all categories of Material Information, the following are examples of types of information that should be treated as Potential MNPI.

Key financial performance metrics	Projections for future earnings or losses	Changes to previously announced earnings guidance
The decision to suspend earnings guidance	Pending or proposed mergers, acquisitions or joint ventures	Plans to restructure the business
Pending or proposed acquisition or disposition of a significant asset	Change in board of directors or executive leadership	Development of a significant new product, process or service
Significant transactions of business partners	Change in divided policy, declaration of stock split or an offering of additional securities	Bank borrowings or other financing transactions outside of the ordinary course of business
Impending bankruptcy or existence of severe liquidity problems	Programs to repurchase a company's Securities	Significant expansion or curtailment of operations
Major marketing changes	Change in auditors or notification that an auditor's report may no longer be relied on	Pending or threatened litigation, or the resolution of litigation
Gain or loss of a significant customer or supplier	A significant cybersecurity event, such as a data breach; disruption in company's operations; any potential loss, breach or unauthorized access of its property whether at the company's own facilities or through its information technology infrastructure or third parties	The imposition, extension or termination of any non-routine restriction on trading in the Securities of the Company or another company

Exhibit 19.2

MCKESSON

Policy Name: Designated Insider Policy

Policy Type: Enterprise

1. General Policy Statement

This policy supplements the Insider Trading Policy, which prohibits persons who are aware of Material Non-Public Information (MNPI) about any company from (i) trading in Securities of that company; or (ii) providing MNPI or recommendations based on MNPI to persons who trade Securities based on that information.

Because of the nature of their positions within the Company, persons identified as Designated Insiders are assumed to have access to MNPI. This policy describes the categories of Designated Insiders and describes their restrictions when trading Company Securities.

2. Scope

This policy applies to Designated Insiders, which is defined to mean non-management directors on the Company's board of directors, and employees of the Company and its affiliates who are subject to one or more special restrictions on their ability to trade Company Securities, as described in this policy and the Designated Insider Procedure.

3. Resources to Get Help and Ask Questions

Please email StockPlanAdmin@mckesson.com with any questions about this policy.

4. Foundational Policy Requirements

- If you are a Window Period Insider, you are prohibited from engaging in transactions or transfers of ownership, including bona fide gifts, involving Company Securities unless your trade occurs during a Trading Window Period.
- If you are a Pre-Clearance Insider, you must obtain approval from the Company's securities legal counsel before engaging in any transaction or transfer of ownership involving Company Securities, including bona fide gifts, even during a Trading Window Period.
- The requirements in this paragraph do not apply to trades pursuant to an arrangement that complies with the Pre-Arranged Trading Plan Policy and the Pre-Arranged Trading Plan Procedure.

5. Key Points to Remember

- This policy applies to all types of transactions and transfers of ownership in Company Securities.
- Even when a transaction or transfer of ownership would not violate securities laws, Designated Insiders are prohibited from engaging in transactions and transfers of ownership involving Company Securities except as authorized by this policy or the Designated Insider Procedure.

5.1 Pre-Clearance Insiders

- Pre-Clearance Insiders are subject to a requirement that all their Company Securities transactions and transfers of ownership must be approved in advance by the Company's securities legal counsel.
- Pre-Clearance Insiders fall into one or more of the following categories:
    - **Section 16 Insider:** This category comprises the Company's non-management directors on the board of directors and employees who are designated as "officers" for purposes of Section 16 of the Securities Exchange Act of 1934.
    - **Role-Based Pre-Clearance Insider:** This category comprises employees whose roles at the Company routinely make them aware of information that may be Potential MNPI, other than any Key Financial Performance Metric.
    - **Project-Based Pre-Clearance Insider:** This category comprises employees aware of an actual or potential event, development, project or other information of a non-routine nature that has been determined to be Potential MNPI.

5.2 Window Period Insiders

- Window Period Insiders are designated because their roles at the Company allow them routine access to Potential MNPI about a Key Financial Performance Metric.
- Window Period Insiders are permitted to transfer ownership of Company Securities only during a Trading Window Period.

6. Penalties for Noncompliance

Your failure to comply with the Insider Trading Policy Framework and Insider Trading Laws could result in:

- Civil liability and sanctions;
- Criminal sanctions, including fines and imprisonment; and/or
- Disciplinary action by the Company up to and including termination of employment.

7. Exceptions

There are no exceptions to this policy, such as for small transactions, routine transactions or transactions that may seem necessary or justifiable for reasons independent of your awareness of MNPI (such as the need to raise money for an emergency expenditure).

8. Definitions

Company	McKesson Corporation
Designated Insider	Non-management directors on the Company's board of directors, and employees of the Company and its business reporting segments, business units and direct and indirect subsidiaries ("affiliates") who are subject to one or more special restrictions on their ability to trade Company Securities, as described in this policy and the Designated Insider Procedure. Designated Insiders comprise Pre-Clearance Insiders and Window Period Insiders.
Insider Trading Policy Framework	Includes the: Code of Conduct; Insider Trading Policy; Designated Insider Policy; Section 16 Insider Policy; Pre-Arranged Trading Plan Policy; and their related procedures. It also includes the Share Repurchase and Sale Policy applicable to the Company itself.
Insider Trading Laws	Federal, state and foreign securities laws that prohibit persons who are aware of MNPI about any company from (i) trading in Securities of that company or (ii) providing MNPI or recommendations based on MNPI to persons who trade Securities based on that information.
Key Financial Performance Metric (KFPM)	As defined in the Appendix to the Designated Insider Procedure.
Material Information	Information that a reasonable investor likely would consider important in deciding to buy, hold or sell Securities.
Material Non-Public Information (MNPI)	Material Information that has not been Publicly Disclosed.
Potential MNPI	Information that, in the judgment of the Company's securities legal counsel, possibly might be considered MNPI based on, for example, an assessment of the likelihood that the information might develop into MNPI or be viewed in hindsight to have been MNPI at an earlier point in time. Refer to the Appendix to the Insider Trading Procedure for examples of types of information that should be treated as Potential MNPI.
Pre-Clearance Insider	A Designated Insider who is subject to a restriction on their ability to trade Company Securities which requires them to first obtain approval from the Company's securities legal counsel. The categories of Pre-Clearance Insiders are described in Section 4.5 of this policy.

Publicly Disclosed	The subject company has disclosed all of the Material Information about a topic using methods that are reasonably designed to provide broad, non-exclusionary distribution of the information to the public, and sufficient time has elapsed after disclosure for that information to be broadly disseminated to Securities market participants (generally allowing at least one trading day). Refer to the Fair Disclosure Policy for examples of disclosure methods.
Securities	Any type of securities that any company issues, such as common stock, preferred stock, options to purchase stock, convertible debentures and warrants, and any type of derivative securities relating to a company's securities, such as exchange-traded put or call options or swaps, whether or not issued by that company. This term is not limited to Securities related to the Company.
Trading Window Period	A period made available by the Company (also called a trading window or a window period) that generally will: • Open upon the start of the New York Stock Exchange (NYSE) core trading session (normal start is 9:30 AM EST) immediately following the earlier of (i) the completion of one (whole or shortened) NYSE core trading session after the Company has Publicly Disclosed its quarterly earnings, or (ii) the passage of 24 hours after the Company has Publicly Disclosed its quarterly earnings; and • Close on the 15th day of the final month of the fiscal quarter, or if that date is not a NYSE regular trading day, then close on the immediately prior NYSE regular trading day.
Window Period Insider	A Designated Insider who is subject to a restriction which requires them to trade Company Securities only during a Trading Window Period.

9. Resources and Related Policies and Procedures

- Designated Insider Procedure
- Fair Disclosure Policy
- Insider Trading Policy
- Pre-Arranged Trading Plan Policy
- Section 16 Insider Policy
- Stock Ownership Policy

Executive Sponsor	Michele Lau
Enterprise Policy Owner	Kirsten Jensen
Enterprise Function	General Counsel Organization
Subcategory	Law Department
Associated Risk & Tier	Regulatory Compliance
Effective Date	June 5, 2023
Last Review Date	May 2, 2024
Last Revision Date	May 2, 2024

Procedure Name: Designated Insider Procedure

Procedure Type: Enterprise

1. Purpose

This procedure supplements the Designated Insider Policy and provides instructions for how and when Designated Insiders may trade Company Securities.

2. Scope

This procedure applies to Designated Insiders, which is defined to mean non-management directors on the Company's board of directors, and employees of the Company and its affiliates who are subject to one or more special restrictions on their ability to trade Company Securities as described in the Designated Insider Policy and this procedure.

3. Resources to Get Help and Ask Questions

Please email StockPlanAdmin@mckesson.com with any questions about this procedure.

4. Procedure Requirements

4.1 How and Where are the Insider Lists Maintained?

- The Company's Stock Plan Administration function maintains one or more lists of Designated Insiders who are subject to one or more special restrictions on their ability to trade Company Securities.
- An individual may be included in more than one insider list, such as the window period insider list as well as a special project insider list.
- The Company generally notifies a Designated Insider at the time the person is added to an insider list, although sometimes the Designated Insider may be informed that they are on an insider list when they seek to trade in Company Securities and are directed by Fidelity to contact the Company.
- Questions about insider lists, and requests for addition or deletion of individuals on any insider list, should be directed to StockPlanAdmin@mckesson.com
- Insider lists do not include non-employees. We generally rely on contractual confidentiality and non-use obligations, or on professional ethical obligations, to manage the risk that a non-employee may trade in securities while aware of Potential MNPI obtained while performing services for the Company.

4.2 Trading Authorization for Window Period Insiders

- During a Trading Window Period, a Window Period Insider generally is permitted to trade Company Securities without additional authorization subject to the conditions that the Window Period Insider is: (i) not aware of Material Non-Public Information (MNPI) when they trade, and (ii) not a Pre-Clearance Insider.
- If you are a Window Period Insider who is not a Pre-Clearance Insider, then you generally do not need to seek authorization to trade Company Securities during a Trading Window Period when you are not aware of MNPI about those Securities.
- The availability of any Trading Window Period is in the Company's sole and absolute discretion, but typically one is made available each fiscal quarter.
- The Company notifies Window Period Insiders by email about the opening and closing of Trading Window Periods.
- If you are a Window Period Insider who is not a Pre-Clearance Insider, and you find that you are unable to trade during a Trading Window Period from your Company-sponsored account at Fidelity, please contact StockPlanAdmin@mckesson.com.

4.3 Pre-Clearance Insiders Seeking Authorization to Trade

- If you are a Pre-Clearance Insider, then you always need to obtain authorization from the Company's securities legal counsel to trade Company Securities, even during a Trading Window Period.
- Trading authorization requests should be submitted shortly before the intended trade is to occur and are generally granted for a short period of time. If your order is not executed within that time period, then you must seek additional trading authority.
- Do not place an order that might be executed outside of the timeframe stated in an authorization by Company securities counsel for transactions or transfers of ownership.
- If you are unsure about whether you are aware of MNPI about any Securities, you must refrain from trading those Securities and consult with the Company's securities legal counsel.
- The Company is entitled to withhold or cancel trading approvals for any reason, or for no reason, in its sole discretion.
- Please submit trading authorization requests to StockPlanAdmin@mckesson.com and allow one business day for responses.

4.4 ESPP Elections and Sales

- Window Period Insiders and Pre-Clearance Insiders who elect to participate in the Employee Stock Purchase Program (ESPP), or who want to make changes to their ESPP elections, are advised to do so during Trading Window Periods while not aware of MNPI.
- Maintaining a consistent level of participation in the ESPP may qualify as a Rule 10b5-1 trading arrangement for the share purchases. For more information, refer to the Pre-Arranged Trading Plan Procedure.
- Shares delivered under the ESPP plan are subject to the restrictions on sales and transfers described in the Designated Insider Policy and this procedure, even if you have a pattern or practice of selling those shares upon delivery.

4.5 Fidelity Accounts

- Company-sponsored equity accounts at Fidelity are flagged to indicate the Designated Insider's status on one or more insider lists.
- Trades in Company Securities held in a Designated Insider's Fidelity accounts will be prevented until authorization to trade is provided by the Company to Fidelity in accordance with this procedure.

4.6 Pre-Arranged Trading Plans

- A Designated Insider may be able to adopt a pre-arranged trading plan that is designed to comply with Securities and Exchange Commission (SEC) Rule 10b5-1. Such a plan may enable a Designated Insider to trade in Company Securities at times otherwise not permitted by the Insider Trading Policy, the Designated Insider Policy, or this procedure. For more information, refer to the Pre-Arranged Trading Plan Policy and Pre-Arranged Trading Plan Procedure.

4.7 Providing Instruction to Brokers and Financial Advisors

- To avoid inadvertent violations of the Insider Trading Policy Framework and Insider Trading Laws, Designated Insiders should consider instructing their securities brokers or financial advisors to not engage in discretionary transactions or transfers of ownership involving Company Securities without the Designated Insider's specific approval, which could include approval under a plan that complies with the Pre-Arranged Trading Plan Policy and the Pre-Arranged Trading Plan Procedure.

4.8 Authorization to Trade Securities is not Legal, Tax or Financial Advice
• Authorization from a Company representative for you to trade Securities does not constitute personal legal, tax or financial advice to you. • A Trading Window Period or other form of authorization from the Company to trade in Company Securities does not create a legal safe harbor from an insider trading violation. • In all cases, you are personally responsible for determining whether you are aware of MNPI and, if so, to refrain from trading in Securities to which that MNPI relates (unless pursuant to an arrangement that satisfies the requirements of SEC Rule 10b5-1). • The Company's attorneys represent the Company and its subsidiaries, not individuals. The securities laws are complex, and you should consider seeking advice from your personal legal counsel about your decisions to trade in Securities.

5. Penalties for Noncompliance

Your failure to comply with the Insider Trading Policy Framework and Insider Trading Laws could result in:

- Civil liability and sanctions;
- Criminal sanctions, including fines and imprisonment; and/or
- Disciplinary action by the Company up to and including termination of employment.

6. Exceptions

There are no exceptions to this procedure, such as for small transactions, routine transactions or transactions that may seem necessary or justifiable for reasons independent of your awareness of MNPI (such as the need to raise money for an emergency expenditure).

7. Definitions

Company	McKesson Corporation
Designated Insider	Non-management directors on the Company's board of directors, and employees of the Company and its business reporting segments, business units and direct and indirect subsidiaries ("affiliates") who are subject to one or more special restrictions on their ability to trade Company Securities, as described in the Designated Insider Policy and this procedure. Designated Insiders comprise Pre-Clearance Insiders and Window Period Insiders.

Insider Trading Policy Framework	Includes the: Code of Conduct; Insider Trading Policy; Designated Insider Policy; Section 16 Insider Policy; Pre-Arranged Trading Plan Policy; and their related procedures. It also includes the Share Repurchase and Sale Policy applicable to the Company itself.
Insider Trading Laws	Federal, state and foreign securities laws that prohibit persons who are aware of MNPI about any company from (i) trading in Securities of that company or (ii) providing MNPI or recommendations based on MNPI to persons who trade Securities based on that information.
Key Financial Performance Metric (KFPM)	As defined in the Appendix to this procedure.
Material Information	Information that a reasonable investor likely would consider important in deciding to buy, hold or sell Securities.
Material Non-Public Information (MNPI)	Material Information that has not been Publicly Disclosed.
Potential MNPI	Information that, in the judgment of the Company's securities legal counsel, possibly might be considered MNPI based on, for example, an assessment of the likelihood that the information might develop into MNPI or be viewed in hindsight to have been MNPI at an earlier point in time. Refer to the Appendix to the Insider Trading Procedure for examples of types of information that should be treated as Potential MNPI.
Pre-Clearance Insider	A Designated Insider who is subject to a restriction on their ability to trade Company Securities which requires them to first obtain approval from the Company's securities legal counsel. The categories of Pre-Clearance Insiders are described in Section 4.5 of the Designated Insider Policy.
Publicly Disclosed	The subject company has disclosed all of the Material Information about a topic using methods that are reasonably designed to provide broad, non-exclusionary distribution of the information to the public, and sufficient time has elapsed after disclosure for that information to be broadly disseminated to Securities market participants (generally allowing at least one trading day). Refer to the Fair Disclosure Policy for examples of disclosure methods.
Securities	Any type of securities that any company issues, such as common stock, preferred stock, options to purchase stock, convertible debentures and warrants, and any type of derivative securities relating to a company's securities, such as exchange-traded put or call options or swaps, whether or not issued by that company. This term is not limited to Securities related to the Company.

Trading Window Period	A period made available by the Company (also called a trading window or a window period) that generally will: • Open upon the start of the New York Stock Exchange (NYSE) core trading session (normal start is 9:30 AM EST) immediately following the earlier of (i) the completion of one (whole or shortened) NYSE core trading session after the Company has Publicly Disclosed its quarterly earnings, or (ii) the passage of 24 hours after the Company has Publicly Disclosed its quarterly earnings; and • Close on the 15th day of the final month of the fiscal quarter, or if that date is not a NYSE regular trading day, then close on the immediately prior NYSE regular trading day.
Window Period Insider	A Designated Insider who is subject to a restriction which requires them to trade Company Securities only during a Trading Window Period.

8. Resources and Related Policies

- Designated Insider Policy
- Fair Disclosure Policy
- Insider Trading Policy
- Pre-Arranged Trading Plan Policy
- Section 16 Insider Policy
- Stock Ownership Policy

Executive Sponsor	Michele Lau
Enterprise Procedure Owner	Kirsten Jensen
Enterprise Function	General Counsel Organization
Subcategory	Law Department
Associated Risk & Tier	Regulatory Compliance
Effective Date	June 5, 2023
Last Review Date	May 2, 2024
Last Revision Date	May 2, 2024

APPENDIX

Key Financial Performance Metrics

The term Key Financial Performance Metric (KFPM) means and includes, on both an historical and forecast, future basis:

(i.) Any KFPM listed below (including both GAAP and Non-GAAP adjusted equivalent metrics, including any metric that is presented on an FX-Adjusted basis) that is periodically Publicly Disclosed by the Company on either a consolidated or reporting segment basis;

(ii.) Information determined at any time by the Company's securities legal counsel in consultation with the Company's CFO, Controller and Chief Investor Relations Officer to constitute a KFPM, even if not listed below, and

(iii.) Information that can be combined with other information available to the particular person to derive or forecast a metric described in clause (i) or (ii).

Below is a non-exclusive list of KFPMs:

GAAP			
Revenue	Net income	Other income (expense), net	Corporate expenses, net
Total assets	Total liabilities	Segment operating profit (loss)	Income tax benefit (expense)
Cost of sales gross profit	Cash flow statement categories and items	Total operating expenses	Debt to equity ratio
Income (loss) from continuing operations before interest expense and income taxes	Earnings (loss) per diluted common share from continuing operations attributable to the Company (EPS) Weighted Average Shares Outstanding (WASO) [used to calculate EPS and Adjusted EPS]	Income from continuing operations attributable to the Company	Operating profit (loss) as percentage of revenues

Non-GAAP (Adjusted)			
Adjusted gross profit	Adjusted operating expenses	Adjusted other income	Adjusted income tax expense
Adjusted earnings per diluted share (Adjusted EPS)	Adjusted Earnings	Adjusted segment operating profit	Adjusted segment operating profit margin
Earnings before interest and taxes (EBIT) Earnings before interest, taxes, depreciation and amortization (EBITDA) Adjusted EBIT Adjusted EBITDA	Adjusted corporate expenses	Adjusted operating profit (AOP)	Free Cash Flow

Exhibit 19.3

MCKESSON

Policy Name: Section 16 Insider Policy

Policy Type: Enterprise

1. General Policy Statement

Directors and officers of publicly traded companies have a duty not to unfairly use Material Non-Public Information (MNPI) for personal gain. This policy supports requirements under Section 16 of the Securities Exchange Act of 1934 (Securities Exchange Act).

2. Scope

This policy applies to non-management directors on the Company's board of directors and to employees of the Company or its affiliates who are notified that they have been designated as "officers" who are subject to Section 16 of the Securities Exchange Act.

3. Resources to Get Help and Ask Questions

Please email StockPlanAdmin@mckesson.com with any questions about this policy.

4. Foundational Policy Requirements

- ü You must obtain approval from the Company's securities legal counsel before engaging in any transaction or transfer of ownership[1] relating to Company Securities, including bona fide gifts, even during a Trading Window Period.
- ü Your changes in ownership in Company Securities generally must be reported to the Securities and Exchange Commission within 2 business days.
- ü You are prohibited from engaging in transactions as described in the "Prohibited Transactions" section of the Section 16 Insider Procedure.

[1] For purposes of the reporting and other requirements under Section 16 of the Securities Exchange Act and under this policy, a Section 16 Insider may be deemed to be the beneficial owner of Company Securities held by certain of the Section 16 Insider's family members or any corporation, limited liability company, partnership, or trust that the Section 16 Insider influences or controls. Questions regarding "beneficial ownership" of Company Securities under Section 16 of the Securities Exchange Act and under this policy should be directed to the Company's securities legal counsel.

5. Key Points to Remember

- This policy supplements the Insider Trading Policy and Designated Insider Policy and applies additional requirements. Please refer to those policies and related procedures.
- Section 16 Insiders are subject to special securities laws and Company policies that are intended to deter misuse of MNPI for personal benefit.
- Transactions and changes in ownership in Company Securities by Section 16 Insiders are subject to additional transparency and scrutiny by securities law enforcers, market regulators and investors.
- Certain types of transactions and changes in ownership involving Company Securities may create the appearance of impropriety.
- Please refer to the Section 16 Insider Procedure for additional information about complying with this policy.

6. Penalties for Noncompliance

Section 16 of the Securities Exchange Act imposes compliance requirements on you personally and your failure to comply with the Insider Trading Policy Framework, Insider Trading Laws, and other securities laws could result in:

- Civil liability and sanctions;
- Recoupment of trading gains or avoided losses; and/or
- Disciplinary action by the Company up to and including termination of employment.

7. Exceptions

There are no exceptions to this policy, such as for small transactions, routine transactions or transactions that may seem necessary or justifiable for reasons independent of your awareness of MNPI (such as the need to raise money for an emergency expenditure).

8. Definitions

Company	McKesson Corporation
Insider Trading Policy Framework	Includes the: Code of Conduct; Insider Trading Policy; Designated Insider Policy; Section 16 Insider Policy; Pre-Arranged Trading Plan Policy; and their related procedures. It also includes the Share Repurchase and Sale Policy applicable to the Company itself.
Insider Trading Laws	Federal, state and foreign securities laws that prohibit persons who are aware of MNPI about any company from (i) trading in Securities of that company or (ii) providing MNPI or recommendations based on MNPI to persons who trade Securities based on that information
Material Information	Information that a reasonable investor likely would consider important in deciding to buy, hold or sell Securities.
Material Non-Public Information (MNPI)	Material Information that has not been Publicly Disclosed.

Publicly Disclosed	The subject company has disclosed all of the Material Information about a topic using methods that are reasonably designed to provide broad, non-exclusionary distribution of the information to the public, and sufficient time has elapsed after disclosure for that information to be broadly disseminated to Securities market participants (generally allowing at least one trading day). Refer to the Fair Disclosure Policy for examples of disclosure methods.
Section 16 Insider	Each non-management director on the Company's board of directors, and any employee of the Company or any of its business reporting segments, business units and direct and indirect subsidiaries ("affiliates") who is notified that they have been designated as an "officer" who is subject to Section 16 of the Securities Exchange Act.
Securities	Any type of securities that any company issues, such as common stock, preferred stock, options to purchase stock, convertible debentures and warrants, and any type of derivative securities related to a company's securities, such as exchange-traded put or call options or swaps, whether or not issued by that company. This term is not limited to Securities related to the Company.
Trading Window Period	A period made available by the Company (also called a trading window or a window period) that generally will: • Open upon the start of the New York Stock Exchange (NYSE) core trading session (normal start is 9:30 AM EST) immediately following the earlier of (i) the completion of one (whole or shortened) NYSE core trading session after the Company has Publicly Disclosed its quarterly earnings, or (ii) the passage of 24 hours after the Company has Publicly Disclosed its quarterly earnings; and • Close on the 15th day of the final month of the fiscal quarter, or if that date is not a NYSE regular trading day, then close on the immediately prior NYSE regular trading day.

9. Resources and Related Policies and Procedures

- Designated Insider Policy
- Fair Disclosure Policy
- Insider Trading Policy
- Pre-Arranged Trading Plan Policy
- Section 16 Insider Procedure
- Stock Ownership Policy

Executive Sponsor	Michele Lau
Policy Owner	Kirsten Jensen
Enterprise Function	General Counsel Organization
Subcategory	Law Department
Associated Risk & Tier	Regulatory Compliance
Effective Date	June 5, 2023
Last Review Date	May 2, 2024
Last Revision Date	May 2, 2024

MCKESSON

Procedure Name: Section 16 Insider Procedure

Procedure Type: Enterprise

1. Purpose

This procedure supplements the Section 16 Insider Policy.

2. Scope

This procedure applies to non-management directors on the Company's board of directors and to employees of the Company or its affiliates who are notified that they have been designated as "officers" who are subject to Section 16 of the Securities Exchange Act of 1934 (Securities Exchange Act).

3. Resources to Get Help and Ask Questions

Please email StockPlanAdmin@mckesson.com with any questions about this procedure.

4. Procedure Requirements

4.1 Trading Pre-Clearance and Window Periods

- To assist you in complying with this procedure and the securities laws, your transactions and changes in ownership[1] involving Company Securities, including bona fide gifts, must be approved in advance by the Company's securities legal counsel.
- Your transactions and changes in ownership involving Company Securities must also occur during Trading Window Periods as described in the Designated Insider Procedure.
- Section 16 Insiders are subject to the Company's Stock Ownership Policy and any trading requests should ensure that you remain in compliance with that policy.

4.2 Pre-Arranged Trading Plans

- The preceding section does not apply to transactions and changes in ownership pursuant to a pre-arranged trading plan that is approved by the Company and that is designed to comply with Securities and Exchange Commission (SEC) Rule 10b5-1. Additional requirements apply to the adoption and use of pre-arranged trading plans by Section 16 Insiders, and there are additional disclosure obligations. Please refer to the Pre-Arranged Trading Plan Policy and the Pre-Arranged Trading Plan Procedure for more information.

4.3 Authorization to Trade Securities is not Legal, Tax or Financial Advice

[1] For purposes of the reporting and other requirements under Section 16 of the Securities Exchange Act and under this procedure, a Section 16 Insider may be deemed to be the beneficial owner of Company Securities held by certain of the Section 16 Insider's family members or any corporation, limited liability company, partnership, or trust that the Section 16 Insider influences or controls. Questions regarding "beneficial ownership" of Company Securities under Section 16 of the Securities Exchange Act and under this procedure should be directed to the Company's securities legal counsel.

- You may submit transaction and change in ownership authorization requests to StockPlanAdmin@mckesson.com and allow one business day for a response.
- Authorization from a Company representative for you to trade Securities does not constitute personal legal, tax or financial advice to you.
- The Company's attorneys represent the Company and its subsidiaries, not individuals. The securities laws are complex, and you should consider seeking advice from your personal legal counsel about your decisions to trade in Securities.
- To avoid inadvertent violations of the Insider Trading Policy Framework and Insider Trading Laws, you should instruct your securities brokers or financial advisors to not make discretionary transactions involving Company Securities without your approval, which could include approval under a plan that complies with the Pre-Arranged Trading Plan Policy and Pre-Arranged Trading Plan Procedure.

4.4 SEC Reporting Obligations

Section 16 Insiders are personally responsible for reporting changes in ownership in Company Securities to the SEC in a timely way, as summarized below.

Forms 3,4 and 5

Form	Due Date	Purpose
3	Within 10 days after being designated Section 16 Insider	Initial disclosure of ownership of Company Securities.
4	Within 2 business days of transaction date	Details of changes in ownership involving Company Securities, including *bona fide* gifts.
5	Within 45 days after the end of the Company's fiscal year	Discloses certain changes in ownership not reported during the fiscal year.

The Company's Stock Plan Administration function will assist you with filing your Form 3, 4 and 5 reports with the SEC, subject to your providing the Company with a power of attorney authorizing Company representatives to make those filings on your behalf.

Form 144

- Section 16 Insiders who are control persons subject to SEC Rule 144 are personally responsible for simultaneous public disclosure of market sales of the Company's common stock.
- The Company's securities legal counsel will notify you whether you are considered a control person for this purpose.

Fidelity or your stockbroker or financial advisor will assist you with your Form 144 filings with the SEC subject to your providing them with a power of attorney authorizing them to make those filings on your behalf.

4.5 Prohibited Transactions

Certain types of Securities transactions involve a heightened legal risk and/or the appearance of improper or inappropriate conduct. You must refrain from engaging, directly or indirectly, in any of the types of transactions described below related to Company Securities. These constraints are stricter than those described in the Insider Trading Policy and the Insider Trading Procedure.

Trades in Options and Other Derivative Securities	You are prohibited from engaging in transactions in derivative Securities related to the Company, such as publicly traded put or call options for the Company's common stock. This prohibition does not apply to exercises of stock options granted by the Company.
Hedging Transaction	You are prohibited from engaging in hedging or monetization transactions involving Company Securities, such as prepaid variable forwards, equity swaps, collars, and exchange funds.
Securities Pledges and Margin Accounts	You are prohibited from pledging Company Securities as collateral for a loan, including by holding them in a margin account.
Short Sales	• You are prohibited from engaging in short sales of Company common stock. • Section 16(c) of the Securities Exchange Act effectively prohibits Section 16 Insiders from engaging in short sales. • For this purpose, a short sale is one involving securities that you do not own at the time of sale, or, if you own them at the time of sale, that are not delivered to the purchaser within 20 days after the sale or deposited in the mail or other usual channels of transportation within 5 days after the sale.

Short-Swing Trades	• You are prohibited from engaging in short swing transactions involving a purchase or sale of Company common stock in the open market and an opposite-direction open market transaction within the preceding or following six months. • Section 16(b) of the Securities Exchange Act requires you to disgorge to the Company any gain or avoided loss resulting from prohibited short-swing transactions, and the Company is not permitted to release its claim or provide you an indemnity. • This is a strict-liability requirement that does not depend on your intent, good faith or lack of MNPI at the time of the transactions. • This prohibition generally does not apply to shares acquired pursuant to any of the Company's stock equity plans.
Standing Orders and Limit Orders	• Unless you receive approval from the Company's securities counsel, you should not place standing orders to purchase or sell Company Securities, such as an order to sell common stock if the market price reaches a set limit. • Standing orders and limit orders are permitted pursuant to a pre-arranged trading plan that is approved by the Company and that is designed to comply with SEC Rule 10b5-1. For more information, refer to the Pre-Arranged Trading Plan Policy and the Pre-Arranged Trading Plan Procedure.

5. Penalties for Noncompliance

Section 16 of the Securities Exchange Act imposes compliance requirements on you personally and your failure to comply with the Insider Trading Policy Framework, Insider Trading Laws, and other securities laws could result in:

- Civil liability and sanctions; and/or
- Recoupment of trading gains or avoided losses; and/or
- Disciplinary action by the Company up to and including termination of employment.

6. Exceptions

There are no exceptions to this procedure, such as for small transactions, routine transactions or transactions that may seem necessary or justifiable for reasons independent of your awareness of MNPI (such as the need to raise money for an emergency expenditure).

7. Definitions

Company	McKesson Corporation
Insider Trading Policy Framework	Includes the: Code of Conduct; Insider Trading Policy; Designated Insider Policy; Section 16 Insider Policy; Pre-Arranged Trading Plan Policy; and their related procedures. It also includes the Share Repurchase and Sale Policy applicable to the Company itself.
Insider Trading Laws	Federal, state and foreign securities laws that prohibit persons who are aware of MNPI about any company from (i) trading in Securities of that company or (ii) providing MNPI or recommendations based on MNPI to persons who trade Securities based on that information.
Material Information	Information that a reasonable investor likely would consider important in deciding to buy, hold or sell Securities.
Material Non-Public Information (MNPI)	Material Information that has not been Publicly Disclosed.
Publicly Disclosed	The subject company has disclosed all of the Material Information about a topic using methods that are reasonably designed to provide broad, non-exclusionary distribution of the information to the public, and sufficient time has elapsed after disclosure for that information to be broadly disseminated to Securities market participants (generally allowing at least one trading day). Refer to the Fair Disclosure Policy for examples of disclosure methods.
Section 16 Insider	Each non-management director on the Company's board of directors, and any employee of the Company or any of its business reporting segments, business units and direct and indirect subsidiaries ("affiliates") who is notified that they have been designated as an "officer" who is subject to Section 16 of the Securities Exchange Act.
Securities	Any type of securities that any company issues, such as common stock, preferred stock, options to purchase stock, convertible debentures and warrants, and any type of derivative securities related to a company's securities, such as exchange-traded put or call options or swaps, whether or not issued by that company. This term is not limited to Securities related to the Company.

Trading Window Period	A period made available by the Company (also called a trading window or a window period) that generally will: • Open upon the start of the New York Stock Exchange (NYSE) core trading session (normal start is 9:30 AM EST) immediately following the earlier of (i) the completion of one (whole or shortened) NYSE core trading session after the Company has Publicly Disclosed its quarterly earnings, or (ii) the passage of 24 hours after the Company has Publicly Disclosed its quarterly earnings; and • Close on the 15th day of the final month of the fiscal quarter, or if that date is not a NYSE regular trading day, then close on the immediately prior NYSE regular trading day.

8. Resources and Related Policies

- Designated Insider Policy
- Fair Disclosure Policy
- Insider Trading Policy
- Pre-Arranged Trading Plan Policy
- Section 16 Insider Policy
- Stock Ownership Policy

Executive Sponsor	Michele Lau
Procedure Owner	Kirsten Jensen
Enterprise Function	General Counsel Organization
Subcategory	Law Department
Associated Risk & Tier	Regulatory Compliance
Effective Date	June 5, 2023
Last Review Date	May 2, 2024
Last Revision Date	May 2, 2024

Exhibit 19.4

MCKESSON

Policy Name: Pre-Arranged Trading Plan Policy

Policy Type: Enterprise

1. General Policy Statement

This policy outlines general guidelines for establishing and operating a Pre-Arranged Trading Plan designed to satisfy an affirmative defense under Securities and Exchange Commission (SEC) Rule 10b5-1(c) to claims of insider trading violations and applies to Securities issued by the Company.

This policy supplements the Insider Trading Policy, which generally prohibits persons who are aware of Material Non-Public Information (MNPI) about any company from (i) trading in Securities of that company; or (ii) providing MNPI or recommendations based on MNPI to persons who trade in Securities on the basis of that information.

2. Scope

This policy applies to all employees of the Company and its business reporting segments, business units and direct and indirect subsidiaries ("affiliates"), and to non-management directors on the Company's board of directors.

3. Resources to Get Help and Ask Questions

Please email StockPlanAdmin@mckesson.com with any questions about this policy.

4. Foundational Policy Requirements

A Pre-Arranged Trading Plan is a voluntary agreement, arrangement, or plan that generally allows non-management directors and employees to trade Company Securities outside of Trading Window Periods and during times when such trades might otherwise be prohibited.
A Pre-Arranged Trading Plan: • Must comply with the Company's guidelines as to plan adoption, terms and operation described in the Pre-Arranged Trading Plan Procedure. • Must be adopted in good faith and not as part of a scheme to evade the prohibitions of SEC Rule 10b-5. • Is designed to satisfy the requirements for an affirmative legal defense under SEC Rule 10b5-1(c). • Generally cannot be amended or canceled.

5. Key Points to Remember

ü A Pre-Arranged Trading Plan may provide flexibility to execute transactions in Company Securities at times that you might not otherwise be authorized to trade. ü If your Pre-Arranged Trading Plan meets the requirements of SEC Rule 10b5-1 and this policy, you usually may purchase and sell Company Securities under your plan without regard to certain restrictions under the Insider Trading Policy Framework that would otherwise apply to those transactions.

5.1 Pre-Arranged Trading Plans are Not Safe Harbors

- A Pre-Arranged Trading Plan can provide a limited legal defense from certain Insider Trading liability allegations for trades executed under the plan.
- SEC Rule 10b5-1 does not provide an absolute defense or safe harbor from Insider Trading violations.

5.2 No MNPI Permitted at Pre-Arranged Trading Plan Adoption

- You cannot adopt a Pre-Arranged Trading Plan while you are aware of MNPI about Company Securities, even during a Trading Window Period.

5.3 Pre-Arranged Trading Plan Eligibility

- All non-management directors and employees may adopt a Pre-Arranged Trading Plan.
- Section 16 Insiders and other Designated Insiders who routinely are aware of Potential MNPI should consider whether to adopt a Pre-Arranged Trading Plan.

5.4 Trading Activity Outside the Plan

- While you have a Pre-Arranged Trading Plan in place, you may be able to trade Securities that are not covered by that plan, if you comply with the Insider Trading Policy Framework and Insider Trading Laws.
- The Rule 10b5-1 affirmative defense does not apply to any trades made outside of your Pre-Arranged Trading Plan.

5.5 No Hedging Activity Permitted

- Entering into or altering a corresponding or Hedging transaction or position with respect to Securities covered by your Pre-Arranged Trading Plan is prohibited.
- If you violate this prohibition, the affirmative defense under SEC Rule 10b5-1 may not apply to your Hedging transactions or to your transactions made pursuant to your plan, or both. Additional restrictions on Hedging transactions are described in the Section 16 Insider Procedure and the Insider Trading Procedure.

5.6 Disclosure of Plans

- By adopting a Pre-Arranged Trading Plan, you consent to the Company publicly disclosing that you adopted the plan, the key terms of the plan, and the details of transactions executed under the plan. You also consent to the Company publicly disclosing any modification or cancellation of the plan.[1]

[1] For Section 16 Insiders, your Form 4 reports generally will note whether a trade occurred pursuant to a Pre-Arranged Trading Plan and the date that you adopted it. Similar disclosure occurs in Form 144 filings for individuals who are control persons subject to SEC Rule 144.The Company may disclose the correlation between Company share repurchase programs and Section 16 Insider sales under, or adoptions of, Pre-Arranged Trading Plans.

6. Penalties for Noncompliance

Your failure to comply with the Insider Trading Policy Framework and Insider Trading Laws could result in:

- Civil liability and sanctions;
- Criminal sanctions, including fines and imprisonment;
- The unavailability of an affirmative legal defense; and/or
- Disciplinary action by the Company up to and including termination of employment.

7. Exceptions

Any exceptions to this policy require the written authorization of the Company's Chief Legal Officer or Corporate Secretary. The Company can refuse to authorize an exception, for any reason or no reason.

8. Definitions

Company	McKesson Corporation
Designated Insider(s)	Includes non-management directors on the Company's board of directors and employees of the Company and its business reporting segments, business units and direct and indirect subsidiaries ("affiliates") who are subject to one or more special restrictions on their ability to trade Company Securities, as described in the Designated Insider Policy and the Designated Insider Trading Procedure.
Hedging	The use of trading techniques to offset the risk of potential losses or gains from trades in Securities.
Insider Trading	Any person's illegal or unauthorized trading of any company's Securities while the person is aware of MNPI about that company.
Insider Trading Policy Framework	Includes the: Code of Conduct; Insider Trading Policy; Designated Insider Policy; Section 16 Insider Policy; Pre-Arranged Trading Plan Policy; and their related procedures. It also includes the Share Repurchase and Sale Policy applicable to the Company itself.
Insider Trading Laws	Federal, state and foreign securities laws that prohibit persons who are aware of MNPI about any company from (i) trading in Securities of that company or (ii) providing MNPI or recommendations based on MNPI to persons who trade Securities based on that information.
Material Information	Information that a reasonable investor likely would consider important in deciding to buy, hold or sell Securities.
Material Non-Public Information (MNPI)	Material Information that has not been Publicly Disclosed.

Potential MNPI	Information that, in the judgment of the Company's securities legal counsel, possibly might be considered MNPI based on, for example, an assessment of the likelihood that the information might develop into MNPI or be viewed in hindsight to have been MNPI at an earlier point in time. Refer to the Appendix to the Insider Trading Procedure for examples of types of information that should be treated as Potential MNPI.
Pre-Arranged Trading Plan	A voluntary agreement, arrangement, or plan for trading in Securities that is designed to satisfy the requirements of SEC Rule 10b5-1.
Publicly Disclosed	The subject company has disclosed all of the Material Information about a topic using methods that are reasonably designed to provide broad, non-exclusionary distribution of the information to the public, and sufficient time has elapsed after disclosure for that information to be broadly disseminated to Securities market participants (generally allowing at least one trading day). Refer to the Fair Disclosure Policy for examples of disclosure methods.
Section 16 Insider	Each non-management director on the Company's board of directors and each Company employee who is notified that they have been designated as an "officer" who is subject to Section 16 of the Securities Exchange Act of 1934.
Securities	Any type of securities that any company issues, such as common stock, preferred stock, options to purchase stock, convertible debentures and warrants, and any type of derivative securities related to a company's securities, such as exchange-traded put or call options or swaps, whether or not issued by that company. This term is not limited to Securities related to the Company.
Trading Window Period	A period made available by the Company (also called a trading window or a window period) that generally will: • Open upon the start of the NYSE core trading session (normal start is 9:30 AM EST) immediately following the earlier of (i) the completion of one (whole or shortened) NYSE core trading session after the Company has Publicly Disclosed its quarterly earnings, or (ii) the passage of 24 hours after the Company has Publicly Disclosed its quarterly earnings; and • Close on the 15th day of the final month of the fiscal quarter, or if that date is not a NYSE regular trading day, then close on the immediately prior NYSE regular trading day.

9. Resources and Related Policies and Procedures

- Designated Insider Policy
- Fair Disclosure Policy
- Insider Trading Policy
- Pre-Arranged Trading Plan Procedure
- Section 16 Insider Policy
- Stock Ownership Policy

Executive Sponsor	Michele Lau
Policy Owner	Kirsten Jensen
Enterprise Function	General Counsel Organization
Subcategory	Law Department
Associated Risk & Tier	Regulatory Compliance
Effective Date	June 5, 2023
Last Review Date	May 2, 2024
Last Revision Date	May 2, 2024

Procedure Name: Pre-Arranged Trading Plan Procedure

Procedure Type: Enterprise

1. Purpose

This procedure outlines general guidelines for establishing and operating a Pre-Arranged Trading Plan designed to satisfy Securities and Exchange Commission (SEC) Rule 10b5-1(c). This procedure supplements the Pre-Arranged Trading Plan Policy.

2. Scope

This procedure applies to all employees of the Company and its business reporting segments, business units and direct and indirect subsidiaries ("affiliates"), and to non-management directors on the Company's board of directors. It applies to Securities issued by the Company.

3. Resources to Get Help and Ask Questions

Please email StockPlanAdmin@mckesson.com with any questions about this procedure or the Pre-Arranged Trading Plan Policy.

4. Procedure Requirements

Establishing the Plan

4.1 No MNPI at Time of Trading Plan Adoption

- You cannot establish or adopt a Pre-Arranged Trading Plan while you are aware of Material Non-Public Information (MNPI) about the Company or Securities related to the Company, even during a Trading Window Period.
  - As noted below, the standard form Pre-Arranged Trading Plan used by Fidelity includes a representation from you certifying that you are not aware of any MNPI at the time that you adopt the plan.
- If you have questions about whether or not you may be aware of MNPI, contactStockPlanAdmin@mckesson.com.

4.2 Timing of Trading Plan Adoption

- A Pre-Arranged Trading Plan can be adopted only during an open Trading Window Period.
- Contact StockPlanAdmin@mckesson.com to learn about scheduled Trading Window Periods.

4.3 Securities Subject to a Pre-Arranged Trading Plan

- Your Pre-Arranged Trading Plan cannot provide for short sales, Hedging transactions or positions with respect to Securities covered by your plan, or trades in options or other derivative Securities related to the Company that were not issued by the Company. Additional restrictions on these types of transactions are described in the Section 16 Insider Procedure and the Insider Trading Procedure.
- The Company may authorize the use of Pre-Arranged Trading Plans for:
  - Purchases of Company common stock pursuant to the Employee Stock Purchase Plan (ESPP) and Dividend Reinvestment Plan (DRP).[1]
  - Exercises of Company-issued stock options and sales of the resulting shares of Company common stock.
  - Sales or bona fide gifts of Company common stock, including shares received from vesting of Restricted Stock Units (RSUs) and from purchases of shares under the ESPP.

4.3.1. Company Equity Plans and Awards

Securities may be included in a Pre-Arranged Trading Plan only if they will have vested or have been acquired by you on or before the first date on which those Securities could be sold under the plan, except that:

- Share awards that have not yet vested may be included in a plan if the vesting condition must have occurred before any sale of those shares could occur.
- Your plan may provide for sales of shares that you in good faith expect to purchase under the ESPP in the future.[2]
- If you are subject to a stock ownership requirement, then you must satisfy those requirements before sales can occur under a plan.[3]

4.4 Form of Trading Plan

- Your Pre-Arranged Trading Plan must use the standard form provided by Fidelity and the Company.
- The standard form Pre-Arranged Trading Plan used by Fidelity includes a representation from you certifying that: (i) you are not aware of any MNPI at the time you adopt the plan; and (ii) you are adopting the plan in good faith and not as part of a plan or scheme to evade the prohibitions in SEC Rule 10b-5.
- You should not enter into a Pre-Arranged Trading Plan unless you intend in good faith to complete all transactions as described in the schedules to that plan.
- Fidelity requires that the Company authorize your Pre-Arranged Trading Plan before Fidelity will administer the plan.
- The Company may refuse to authorize any Pre-Arranged Trading Plan in its discretion, for any reason or for no reason.

[1] Enrollment in the ESPP or DRP may be deemed to be the adoption of a Pre-Arranged Trading Plan under SEC Rule 10b5-1. Enrollment or changes in participation in the ESPP or DRP must, however, otherwise be consistent with this procedure in order for the legal defense under SEC Rule 10b5-1 to be potentially applicable to your Securities trades.

[2] Changes to your level of contribution to the ESPP for share purchases might cause your arrangements for sale of those shares to not qualify as a Pre-Arranged Trading Plan.

[3] Applies to non-management directors and certain Company officers.

4.5 Plan Length and Expiration

- Your Pre-Arranged Trading Plan should provide that it will expire by its terms on a specified date that is between 12 and 24 months after the plan is authorized by the Company.
- Once all of your trading instructions in your Pre-Arranged Trading Plan have been executed or have expired unexecuted, that plan is considered to have expired by its terms regardless of any specified expiration date that is later.

4.6 Short-Term and Single-Trade Plans

- The Company discourages any Pre-Arranged Trading Plan that is likely to expire (including by exhaustion of all scheduled trades) fewer than 6 months after it is authorized by the Company, regardless of any later expiration date specified in the plan.
- The Company discourages any Pre-Arranged Trading Plan that is designed to effect the purchase or sale of all Securities covered by that plan as a single trade or transaction, and you can adopt only one such plan in any consecutive 12-month period. [4]
- The Company can refuse to approve any short-term or single-trade plan, for any reason or for no reason.

4.7 Minimum Cooling-Off Period

- The first transaction under your Pre-Arranged Trading Plan cannot occur until at least 30 days after the date your plan is adopted by you and approved by the Company.
- If you are a Section 16 Insider, the first transaction under your Pre-Arranged Trading Plan cannot occur until the later of (i) 90 days after the date your Pre-Arranged Trading Plan is adopted by you and approved by the Company, or (ii) 2 business days after the Company files a Form 10-Q or Form 10-K that discloses its financial results for its fiscal quarter in which your plan was adopted; except that your cooling-off period need not exceed 120 days after the date your Pre-Arranged Trading Plan is adopted by you and approved by the Company.
- Longer, voluntary cooling-off periods generally are encouraged by the Company, and the Company can require a minimum cooling-off period that is longer than the minimums described above.

[4] This limitation does not apply to a Sell-to-Cover Plan as described in Section 4.8.

4.8 Multiple Trading Plans

- The Company generally discourages you from having in effect at the same time more than one Pre-Arranged Trading Plan that provides for purchases or sales of any class of Securities of the Company on the open market during the same period, except that, with the Company's authorization, you generally would be permitted to adopt and utilize the following types of plans along with another Pre-Arranged Trading Plan:
  - *Successor Plan*: A plan that will follow an existing Pre-Arranged Trading Plan, so long as the new plan does not allow any trades until (i) the older plan expires by its terms and (ii) the required cooling-off period ends for the new plan.
  - *Sell-to-Cover Plan*: A plan that provides for the sale of enough common stock from any equity award vesting events (excluding the vesting of stock options) to satisfy your income tax withholding obligations that arise upon the particular vesting event.
  - *Company Sponsored Plans*: Purchases under the ESPP or DRP, which might potentially qualify for the affirmative defense under SEC Rule 10b5-1(c).
  - *Multi-Account Plan*: A series of separate contracts with different broker-dealers or other agents acting on your behalf to execute trades, so long as those contracts when considered together meet the conditions of, and remain collectively subject to, SEC Rule 10b5-1(c)(1) and this procedure.
- The Company can refuse to authorize any plan that might result in your having multiple, concurrent Pre-Arranged Trading Plans.
- The Company discourages plans that involve more than one broker-dealer or other agent, or any broker-dealer other than Fidelity.

4.9 Authorization by the Company is not Legal, Tax or Financial Advice

- Authorization from a Company representative for you to adopt a Pre-Arranged Trading Plan or engage in any transaction involving Securities does not constitute personal legal, tax or financial advice to you.[5]
- You bear the entire risk of your own investment decisions, including the use of a Pre-Arranged Trading Plan.
- In all cases, you are personally responsible for determining whether you are aware of MNPI at the time of plan adoption and, if so, to refrain from entering into a Pre-Arranged Trading Plan and from trading Securities related to that MNPI.

Plan Adoption Process

Step 1	• Send an email with your contact information to 10b51.sps@fidelity.com and a specialist will reach out to assist with your plan.
	• Fidelity works with you and your financial adviser to draft a proposed Pre-Arranged Trading Plan.
	  ◦ You must use the standard form of Pre-Arranged Trading Plan that Fidelity provides to you.
	  ◦ You instruct Fidelity how trades (sales and purchases) are to be effected under trading schedules that form part of your plan.*

[5] The Company's attorneys represent the Company and its affiliates, not individuals. The securities laws are complex, and you should consider seeking advice from your personal legal counsel about your decisions to trade in Securities.

Step 2	• Fidelity provides the Company a draft of your proposed Pre-Arranged Trading Plan, including the trading schedules. • The Company advises Fidelity whether you are authorized to enter into the proposed Pre-Arranged Trading Plan.
Step 3	• Fidelity typically sends the plan to you for signature via DocuSign and sends the plan to the Company for authorization via DocuSign. • Fidelity provides you and the Company a PDF copy of your fully signed plan.
Step 4	• The Company's Stock Plan Administration team typically adds your plan to a list of active and historic Pre-Arranged Trading Plans and saves an archival copy.

* You cannot retain discretion over trades. Fidelity may reject and refuse to administer a plan that it considers to be overly complex or risky.

After the Plan is Established

4.10 Act in Good Faith

- The affirmative defense under SEC Rule 10b5-1(c) requires that you have acted in good faith with respect to your Pre-Arranged Trading Plan.
- You should execute through Fidelity in good faith the trades covered by the trading schedules to your plan.

4.11 Communicating with Fidelity After Plan Adoption

- Once your Pre-Arranged Trading Plan is adopted, you and your representatives are not allowed to influence how, when, or whether transactions occur under that plan.
- After adopting your plan, you should limit your and your financial advisors' and other representatives' communications with Fidelity about the plan to only receiving notifications from Fidelity about executed trades.

4.12 When Sales and Purchases Can Occur Under Your Plan

- Your Pre-Arranged Trading Plan is effective at the end of the cooling-off period described above, and trades occur automatically from that time in accordance with the trading schedules in the plan, regardless of whether there is a Trading Window Period open at the time of your transaction or whether you then are aware of MNPI about the Company or its Securities.
- After the Company authorizes your plan, you do not require further authorization from the Company to effect individual trades pursuant to the plan.
- The Company reserves the right to suspend trades under your Pre-Arranged Trading Plan at any time in its discretion, for any reason or for no reason, upon notice to Fidelity.

4.13 Modification and Cancellation of Trading Plans

- The Company discourages amendment or early termination of trading plans for any reason.
  - For example, the Company does not authorize you to temporarily suspend your plan, or to sell outside of your plan any of the same Securities that are subject to the plan.
- A modification to a trading plan which affects the amount, price, or timing of the purchase or sale of Securities (including modification to a written formula or algorithm) will be deemed to be a termination of the existing plan and adoption of a new plan.
- Any amendment or cancellation of a Pre-Arranged Trading Plan requires pre-authorization by the Company's securities legal counsel and is subject to the same conditions that apply to the adoption of a new plan.
- The Company may refuse to authorize any amendment or early termination of a Pre-Arranged Trading Plan in its discretion, for any reason or for no reason.

4.14 Trading Activity Outside the Plan

- While you have a Pre-Arranged Trading Plan in place, you are permitted to engage in transactions for Securities that are not covered by that plan, subject to those transactions not having the effect of a Hedge against Securities transactions scheduled under your plan, and to your complying with the Insider Trading Policy Framework and Insider Trading Laws for the sale of those other Securities.
- Trades outside of your plan are not entitled to the Rule 10b5-1 affirmative defense against Insider Trading liability that might apply to sales under the plan.

4.15 Disclosure of Plans

- By adopting a Pre-Arranged Trading Plan, you consent to the Company publicly disclosing information about: (i) your adoption of the plan; (ii) the key terms of the plan, including the expected duration of the plan and the aggregate number or amount of Securities covered by the plan; (iii) the details of transactions you complete under the plan; and (iv) any modification or cancellation of the plan.[6]

5. Penalties for Noncompliance

Your failure to comply with the Insider Trading Policy Framework and Insider Trading Laws could result in:

- Civil liability and sanctions;
- Criminal sanctions, including fines and imprisonment;
- The unavailability of an affirmative legal defense; and/or
- Disciplinary action by the Company up to and including termination of employment.

[6] **For Section 16 Insiders:** Your Form 4 and Form 5 reports may note whether a trade occurred pursuant to a Pre-Arranged Trading Plan and the date that you adopted it. Similar disclosure may occur in Form 144 filings for individuals who are control persons subject to SEC Rule 144. The Company may disclose the correlation between Company share repurchase programs and Section 16 Insider sales under, or adoptions of, Pre-Arranged Trading Plans. Section 16 Insiders who adopt a Pre-Arranged Trading Plan within 10 days before or after the Company announces a share repurchase program may be subject to additional disclosure about their plan adoption.

6. Exceptions

Any exception to this procedure requires the written authorization of the Company's Chief Legal Officer or Corporate Secretary. The Company can refuse to authorize an exception, for any reason or no reason.

7. Definitions

Company	McKesson Corporation
Hedge or Hedging	The use of trading techniques to offset potential losses or gains from trades in Securities.
Insider Trading	Any person's illegal or unauthorized trading of any company's Securities while the person is aware of MNPI about that company.
Insider Trading Policy Framework	Includes the: Code of Conduct; Insider Trading Policy; Designated Insider Policy; Section 16 Insider Policy; Pre-Arranged Trading Plan Policy; and their related procedures. It also includes the Share Repurchase and Sale Policy applicable to the Company itself.
Insider Trading Laws	Federal, state and foreign securities laws that prohibit persons who are aware of MNPI about any company from (i) trading in Securities of that company or (ii) providing MNPI or recommendations based on MNPI to persons who trade Securities based on that information.
Material Information	Information that a reasonable investor likely would consider important in deciding to buy, hold or sell Securities.
Material Non-Public Information (MNPI)	Material Information that has not been Publicly Disclosed.
Pre-Arranged Trading Plan	A voluntary agreement, arrangement, or plan for trading in Securities that is designed to satisfy the requirements of SEC Rule 10b5-1.
Publicly Disclosed	The subject company has disclosed all of the Material Information about a topic using methods that are reasonably designed to provide broad, non-exclusionary distribution of the information to the public, and sufficient time has elapsed after disclosure for that information to be broadly disseminated to Securities market participants (generally allowing at least one trading day). Refer to the Fair Disclosure Policy for examples of disclosure methods.
Section 16 Insider	Each non-management director on the Company's board of directors, and each employee of the Company or any of its business reporting segments, business units and direct and indirect subsidiaries ("affiliates") who has been notified that they have been designated as an "officer" who is subject to Section 16 of the Securities Exchange Act of 1934.

Securities	Any type of securities that any company issues, such as common stock, preferred stock, options to purchase stock, convertible debentures and warrants, and any type of derivative securities related to a company's securities, such as exchange-traded put or call options or swaps, whether or not issued by that company. This term is not limited to Securities related to the Company.
Trading Window Period	A period made available by the Company (also called a trading window or a window period) that generally will: • Open upon the start of the NYSE core trading session (normal start is 9:30 AM EST) immediately following the earlier of (i) the completion of one (whole or shortened) NYSE core trading session after the Company has Publicly Disclosed its quarterly earnings, or (ii) the passage of 24 hours after the Company has Publicly Disclosed its quarterly earnings; and • Close on the 15th day of the final month of the fiscal quarter, or if that date is not a NYSE regular trading day, then close on the immediately prior NYSE regular trading day.

8. Resources and Related Policies

- Designated Insider Policy
- Fair Disclosure Policy
- Insider Trading Policy
- Pre-Arranged Trading Plan Policy
- Section 16 Insider Policy
- Stock Ownership Policy

Executive Sponsor	Michele Lau
Procedure Owner	Kirsten Jensen
Enterprise Function	General Counsel Organization
Subcategory	Law Department
Associated Risk & Tier	Regulatory Compliance
Effective Date	June 5, 2023
Last Review Date	May 2, 2024
Last Revision Date	May 2, 2024

Exhibit 19.5

Policy Name: Share Repurchase and Sale Policy

Policy Type: Enterprise

1. General Policy Statement

The Company is committed to complying with all laws, including federal securities laws, and New York Stock Exchange (NYSE) listing standards governing its purchases, sales and other dispositions involving its own Securities.

2. Company Repurchases

A. Board Authorization

- The board of directors of the Company ("Board") may approve repurchase programs for the Company's Securities at its discretion and consistent with Delaware General Corporation Law ("Delaware Law").
- The Board will adopt resolutions approving the aggregate maximum dollar value of Securities that may be repurchased under the programs and delegating to specified Company officers decision-making authority regarding implementation of the programs, including determination of timing, amounts, prices, and methods for any Repurchase Transactions (defined below).

B. Repurchase Transactions

- Repurchases of the Company's Securities may be effected from time to time through methods includingopen market transactions, privately negotiated transactions, accelerated share repurchase programs, or by combinations of such methods ("Repurchase Transactions"), any of which may use pre-arranged trading plans or arrangements that are designed to meet the requirements of Rule 10b5-1(c) (a "Pre-Arranged Trading Plan") of the Securities Exchange Act of 1934 ("Securities Exchange Act").
- Repurchase Transactions may depend on a variety of factors, including: price of the Securities; liquidity needs; internal or external investment opportunities and their viability; other uses of capital; offsets to dilution from stock-based compensation; corporate and regulatory requirements; discounts; tax and accounting implications; restrictions under the Company's contractual obligations; impacts on the value of remaining shares; cash generated from operations; and other market and economic conditions.
- The Company's Treasurer (or his/her designee), acting within the delegation of authority from the Board and upon approval from the Company's Chief Executive Officer or Chief Financial Officer, executes Repurchase Transactions in consultation with the Company's securities legal counsel.

C. Repurchase Transactions Procedures

- *Timing*: Repurchase Transactions by the Company are effected: (a) during a Trading Window Period when the Company is not in possession of Material Non-Public Information (MNPI), or (b) pursuant to a Pre-Arranged Trading Plan adopted during a Trading Window Period when the Company is not in possession of MNPI, or (c) otherwise in compliance with laws, including federal securities laws and Delaware Law, and NYSE listing standards.
- *Trading Pre-Clearance*: The Company's securities legal counsel takes reasonable steps to determine that the Company is not in possession of MNPI at the time that it adopts any Pre-Arranged Trading Plan and executes any Repurchase Transactions outside of a Pre-Arranged Trading Plan, including but not limited to consulting with one or more members of the Company's disclosure committee and/or outside legal counsel.
- *Monitoring MNPI*: If the Company's securities legal counsel, upon consultation with the Company's Chief Financial Officer and Chief Accounting Officer and others as necessary, determines that the Company is in possession of MNPI, then the Company's securities legal counsel notifies the Treasurer, and the Company suspends any Repurchase Transactions outside of a Pre-Arranged Trading Plan until such time that the Company's securities legal counsel advises that the Company is not in possession of MNPI.
- *Trading Plan Pre-Clearance*: The Company's securities legal counsel is consulted on the terms, adoption and implementation of any Pre-Arranged Trading Plan.
- *Internal Reporting and Disclosure Controls*: The Company's Treasury department provides to the Company's Global Corporate Reporting department information about Repurchase Transactions in order to meet any reporting requirements the Company has under the Securities Exchange Act.

D. Repurchase Disclosure Procedures

- *New Board Authorization*: The Company may from time to time Publicly Disclose any new Securities repurchase authorization from the Board.
- *Periodic Disclosure*: The Company's Global Corporate Reporting department periodically discloses information about Repurchase Transactions in order to meet reporting requirements the Company has under the Securities Exchange Act.

3. Definitions

Company	McKesson Corporation
Material Information	Information that a reasonable investor likely would consider important in deciding to buy, hold or sell Securities.
Material Non-Public Information (MNPI)	Material Information that has not been Publicly Disclosed.

Publicly Disclosed	The subject company has disclosed all of the Material Information about a topic using methods that are reasonably designed to provide broad, non-exclusionary distribution of the information to the public, and sufficient time has elapsed after disclosure for that information to be broadly disseminated to Securities market participants (generally allowing at least one trading day). Refer to the Fair Disclosure Policy for examples of disclosure methods.
Securities	Any type of securities that any company issues, such as common stock, preferred stock, options to purchase stock, convertible debentures and warrants, and any type of derivative securities relating to a company's securities, such as exchange-traded put or call options or swaps, whether or not issued by that company. This term is not limited to Securities related to the Company.
Trading Window Period	A period made available by the Company (also called a trading window or a window period) that generally will: o Open upon the start of the NYSE core trading session (normal start is 9:30 AM EST) immediately following the earlier of (i) the completion of one (whole or shortened) NYSE core trading session after the Company has Publicly Disclosed its quarterly earnings, or (ii) the passage of 24 hours after the Company has Publicly Disclosed its quarterly earnings; and o Close on the 15th day of the final month of the fiscal quarter, or if that date is not a NYSE regular trading day, then close on the immediately prior NYSE regular trading day.

Executive Sponsor	Michele Lau
Policy Owner	Kirsten Jensen
Enterprise Function	General Counsel Organization
Subcategory	Law Department
Associated Risk & Tier	Regulatory Compliance
Effective Date	June 5, 2023
Last Review Date	May 2, 2024
Last Revision Date	May 2, 2024

Exhibit 21

SUBSIDIARIES OF THE REGISTRANT

There is no parent of the Company. The following is a listing of the significant subsidiaries of the Company.

	JURISDICTION OF ORGANIZATION
McKesson International Bermuda IP3A Limited	Bermuda
McKesson Medical-Surgical Holdings Inc.	United States
McKesson Medical-Surgical Inc.	United States
McKesson Medical-Surgical Supply Chain Services LLC	United States
McKesson Medical-Surgical Top Holdings Inc.	United States
McKesson Plasma and Biologics LLC	United States
McKesson Specialty Care Distribution LLC	United States
McKesson UK Finance I Limited	United Kingdom
McKesson UK Finance II Limited	United Kingdom
McKesson US Finance Corporation	United States

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in McKesson Corporation Registration Statement Nos. 333-84806, 333-163642, 333-190847, 333-213488, 333-249817, 333-266356, 333-266357, and 333-273632 on Form S-8, and Registration Statement No. 333-269523 on Form S-3, of our reports dated May 7, 2024, relating to the consolidated financial statements and consolidated financial statement schedule of McKesson Corporation and subsidiaries, and the effectiveness of McKesson Corporation's internal control over financial reporting, appearing in this Annual Report on Form 10-K of McKesson Corporation for the year ended March 31, 2024.

/s/ Deloitte & Touche LLP

Dallas, Texas
May 7, 2024

Exhibit 31.1

CERTIFICATION PURSUANT TO

RULE 13a-14(a) AND RULE 15d-14(a) OF THE SECURITIES EXCHANGE ACT, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Brian S. Tyler, certify that:

1. I have reviewed this annual report on Form 10-K of McKesson Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2024

/s/ Brian S. Tyler

Brian S. Tyler

Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO

RULE 13a-14(a) AND RULE 15d-14(a) OF THE SECURITIES EXCHANGE ACT, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Britt J. Vitalone, certify that:

1. I have reviewed this annual report on Form 10-K of McKesson Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2024

/s/ Britt J. Vitalone

Britt J. Vitalone

Executive Vice President and Chief Financial Officer

Exhibit 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of McKesson Corporation (the "Company") on Form 10-K for the year ended March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacities and on the dates indicated below, each hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of their knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Brian S. Tyler

Brian S. Tyler
Chief Executive Officer
May 7, 2024

/s/ Britt J. Vitalone

Britt J. Vitalone
Executive Vice President and Chief Financial Officer
May 7, 2024

This certification accompanies the Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002, and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 has been provided to McKesson Corporation and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 97

MCKESSON CORPORATION
FINANCIAL RESTATEMENT COMPENSATION RECOUPMENT POLICY

This McKesson Corporation Financial Restatement Compensation Recoupment Policy (the "Policy") was adopted by the Board of Directors (the "Board") of McKesson Corporation (the "Company") on October 25, 2023. This Policy provides for the recoupment of certain executive compensation in the event of an accounting restatement resulting from material noncompliance with financial reporting requirements under U.S. federal securities laws in accordance with the terms and conditions set forth herein. This Policy is intended to comply with the requirements of Section 10D of the Exchange Act (as defined below) and Section 303A.14 of the NYSE Listed Company Manual (the "Listing Rule").

1. Definitions. For the purposes of this Policy, the following terms shall have the meanings set forth below.

(a) "Committee" means the Compensation and Talent Committee of the Board or any successor committee thereof. If there is no Compensation and Talent Committee of the Board, references herein to the Committee shall refer to the Company's committee of independent directors that is responsible for executive compensation decisions, or in the absence of such a compensation committee, the independent members of the Board.

(b) "Covered Compensation" means any Incentive-based Compensation "received" by a Covered Executive during the applicable Recoupment Period; provided that:

(i) such Incentive-based Compensation was received by such Covered Executive (A) on or after the Effective Date, (B) after he or she commenced service as an Executive Officer and (C) while the Company had a class of securities publicly listed on a United States national securities exchange; and

(ii) such Covered Executive served as an Executive Officer at any time during the performance period applicable to such Incentive-based Compensation.

For purposes of this Policy, Incentive-based Compensation is "received" by a Covered Executive during the fiscal period in which the Financial Reporting Measure applicable to such Incentive-based Compensation (or portion thereof) is attained, even if the payment or grant of such Incentive-based Compensation is made thereafter.

(c) "Covered Executive" means any current or former Executive Officer.

(d) "Effective Date" means October 2, 2023.

(e) "Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended.

(f) "Executive Officer" means, with respect to the Company, any "officer" as such term is defined in Rule 16a-1(f) of the Exchange Act. The determination as to an individual's status as an Executive Officer shall be made by the Board and such determination shall be final, conclusive and binding on such individual and all other interested persons.

(g) "Financial Reporting Measure" means any (i) measure that is determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, (ii) stock price measure or (iii) total shareholder return measure (and any measures that are derived wholly or in part from any measure referenced in clause (i), (ii) or (iii) above (including both "GAAP" and "non-GAAP" measures)). For the avoidance of doubt, any such measure does not need to be presented within the Company's financial statements or included in a filing with the U.S. Securities and Exchange Commission to constitute a Financial Reporting Measure.

(h) "Financial Restatement" means a restatement of the Company's financial statements due to the Company's material noncompliance with any financial reporting requirement under U.S. federal securities laws that is required in order to correct:

(i) an error in previously issued financial statements that is material to the previously issued financial statements; or

(ii) an error that would result in a material misstatement if the error were (A) corrected in the current period or (B) left uncorrected in the current period.

For purposes of this Policy, a Financial Restatement shall not be deemed to occur in the event of a revision of the Company's financial statements due to an out-of-period adjustment (i.e., when the error is immaterial to the previously issued financial statements and the correction of the error is also immaterial to the current period) or a retrospective (1) application of a change in accounting principles; (2) revision to reportable segment information due to a change in the structure of the Company's internal organization; (3) reclassification due to a discontinued operation; (4) application of a change in reporting entity, such as from a reorganization of entities under common control; or (5) revision for stock splits, reverse stock splits, stock dividends or other changes in capital structure.

(i) "Incentive-based Compensation" means any compensation (including, for the avoidance of doubt, any cash incentive or equity or equity-based compensation, whether deferred or current) that is granted, earned and/or vested based wholly or in part upon the achievement of a Financial Reporting Measure. For purposes of this Policy, "Incentive-based Compensation" shall also be deemed to include any amounts which were determined based on (or were otherwise calculated by reference to) Incentive-based Compensation (including, without limitation, any amounts under any long-term disability, life insurance or supplemental retirement or severance plan or agreement or any notional account that is based on Incentive-based Compensation, as well as any earnings accrued thereon).

(j) "NYSE" means the New York Stock Exchange, or any successor thereof.

(k) "Recoupment Period" means the three fiscal years completed immediately preceding the date of any applicable Recoupment Trigger Date. Notwithstanding the foregoing, the Recoupment Period additionally includes any transition period (that results from a change in the Company's fiscal year) within or immediately following those three completed fiscal years, provided that a transition period between the last day of the Company's previous fiscal year end and the first day of its new fiscal year that comprises a period of nine to 12 months would be deemed a completed fiscal year.

(l) "Recoupment Trigger Date" means the earlier of (i) the date that the Board (or a committee thereof or the officer(s) of the Company authorized to take such action if Board action is not required) concludes, or reasonably should have concluded, that the Company is required to prepare a Financial Restatement, and (ii) the date on which a court, regulator or other legally authorized body directs the Company to prepare a Financial Restatement.

2. Recoupment of Erroneously Awarded Compensation.

(a) In the event of a Financial Restatement, if the amount of any Covered Compensation received by a Covered Executive (the "Awarded Compensation") exceeds the amount of such Covered Compensation that would have otherwise been received by such Covered Executive if calculated based on the Financial Restatement (the "Adjusted Compensation"), the Company shall reasonably promptly recover from such Covered Executive an amount equal to the excess of the Awarded Compensation over the Adjusted Compensation, each calculated on a pre-tax basis (such excess amount, the "Erroneously Awarded Compensation").

(b) If (i) the Financial Reporting Measure applicable to the relevant Covered Compensation is stock price or total shareholder return (or any measure derived wholly or in part from either of such measures) and (ii) the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the Financial Restatement, then the amount of Erroneously Awarded Compensation shall be determined (on a pre-tax basis) based on the Company's reasonable estimate of the effect of the Financial Restatement on the Company's stock price or total shareholder return (or the derivative measure thereof) upon which such Covered Compensation was received.

(c) For the avoidance of doubt, the Company's obligation to recover Erroneously Awarded Compensation is not dependent on (i) if or when the restated financial statements are filed or (ii) any fault of any Covered Executive for the accounting errors or other actions leading to a Financial Restatement.

(d) Notwithstanding anything to the contrary in Sections 2(a) through (c) hereof, the Company shall not be required to recover any Erroneously Awarded Compensation if both (x) the conditions set forth in either of the following clauses (i) or (ii) are satisfied and (y) the Committee (or a majority of the independent directors serving on the Board) has determined that recovery of the Erroneously Awarded Compensation would be impracticable:

(i) the direct expense paid to a third party to assist in enforcing the recovery of the Erroneously Awarded Compensation under this Policy would exceed the amount of such Erroneously Awarded Compensation to be recovered; provided that, before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation pursuant to this Section 2(d), the Company shall have first made a reasonable attempt to recover such Erroneously Awarded Compensation, documented such reasonable attempt(s) to make such recovery and provided that documentation to the NYSE; or

(ii) recovery of the Erroneously Awarded Compensation would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of Sections 401(a)(13) or 411(a) of the U.S. Internal Revenue Code of 1986, as amended (the "Code").

(e) The Company shall not indemnify any Covered Executive, directly or indirectly, for any losses that such Covered Executive may incur in connection with the recovery of Erroneously Awarded Compensation pursuant to this Policy, including through the payment of insurance premiums or gross-up payments.

(f) The Committee shall determine, in its sole discretion, the manner and timing in which any Erroneously Awarded Compensation shall be recovered from a Covered Executive in accordance with applicable law, including, without limitation, by (i) requiring reimbursement of Covered Compensation previously paid in cash; (ii) seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer or other disposition of any equity or equity-based awards; (iii) offsetting the Erroneously Awarded Compensation amount from any compensation otherwise owed by the Company or any of its affiliates to the Covered Executive; (iv) cancelling outstanding vested or unvested equity or equity-based awards; and/or (v) taking any other remedial and recovery action permitted by applicable law. For the avoidance of doubt, except as set forth in Section 2(d), in no event may the Company accept an amount that is less than the amount of Erroneously Awarded Compensation; provided that, to the extent necessary to avoid any adverse tax consequences to the Covered Executive pursuant to Section 409A of the Code, any offsets against amounts under any nonqualified deferred compensation plans (as defined under Section 409A of the Code) shall be made in compliance with Section 409A of the Code.

3. Administration. This Policy shall be administered by the Committee. All decisions of the Committee shall be final, conclusive and binding upon the Company and the Covered Executives, their beneficiaries, executors, administrators and any other legal representative. The Committee shall have full power and authority to (i) administer and interpret this Policy; (ii) correct any defect, supply any omission and reconcile any inconsistency in this Policy; and (iii) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of this Policy and to comply with applicable law (including Section 10D of the Exchange Act) and applicable stock market or exchange rules and regulations. Notwithstanding anything to the contrary contained herein, to the extent permitted by Section 10D of the Exchange Act and the Listing Rule, the Board may, in its sole discretion, at any time and from time to time, administer this Policy in the same manner as the Committee.

4. Amendment/Termination. Subject to Section 10D of the Exchange Act and the Listing Rule, this Policy may be amended by the Committee or terminated by the Board at any time. To the extent that any applicable law, or stock market or exchange rules or regulations require recovery of Erroneously Awarded Compensation in circumstances in addition to those specified herein, nothing in this Policy shall be deemed to limit or restrict the right or obligation of the Company to recover Erroneously Awarded Compensation to the fullest extent required by such applicable law, stock market or exchange rules and regulations. Unless otherwise required by applicable law, this Policy shall no longer be effective from and after the date that the Company no longer has a class of securities publicly listed on a United States national securities exchange.

5. Interpretation. Notwithstanding anything to the contrary herein, this Policy is intended to comply with the requirements of Section 10D of the Exchange Act and the Listing Rule (and any applicable regulations, administrative interpretations or stock market or exchange rules and regulations adopted in connection therewith). The provisions of this Policy shall be interpreted in a manner that satisfies such requirements and this Policy shall be operated accordingly. If any provision of this Policy would otherwise frustrate or conflict with this intent, the provision shall be interpreted and deemed amended so as to avoid such conflict.

6. Other Compensation Clawback / Recoupment Rights. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies, rights or requirements with respect to the clawback or recoupment of any compensation that may be available to the Company pursuant to the terms of any other recoupment or clawback policy of the Company (or any of its affiliates) that may be in effect from time to time, any provisions in any employment agreement, offer letter, cash incentive, equity plan, equity award agreement or similar plan or agreement, and any other legal remedies available to the Company, as well as applicable law, stock market or exchange rules, listing standards or regulations; provided, however, that any amounts recouped or clawed back under any other policy that would be recoupable under this Policy shall count toward any required clawback or recoupment under this Policy and vice versa.

7. Exempt Compensation. Notwithstanding anything to the contrary herein, the Company has no obligation under this Policy to seek recoupment of amounts paid to a Covered Executive which are granted, vested or earned based solely upon the occurrence or non-occurrence of nonfinancial events. Such exempt compensation includes, without limitation, base salary, time-vesting awards, compensation awarded on the basis of the achievement of metrics that are not Financial Reporting Measures or compensation awarded solely at the discretion of the Committee or the Board, *provided* that such amounts are in no way contingent on, and were not in any way granted on the basis of, the achievement of any Financial Reporting Measure performance goal.

8. Miscellaneous.

(a) Any applicable award agreement or other document setting forth the terms and conditions of any compensation covered by this Policy shall be deemed to include the restrictions imposed herein and incorporate this Policy by reference and, in the event of any inconsistency, the terms of this Policy will govern. For the avoidance of doubt, this Policy applies to all compensation that is received on or after the Effective Date, regardless of the date on which the award agreement or other document setting forth the terms and conditions of the Covered Executive's compensation became effective, including, without limitation, compensation received under the McKesson Corporation 2013 Stock Plan, the McKesson Corporation 2022 Stock Plan, the McKesson Corporation Management Incentive Plan and any successor plans thereto.

(b) This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.

(c) All issues concerning the construction, validity, enforcement and interpretation of this Policy and all related documents, including, without limitation, any employment agreement, offer letter, equity award agreement or similar agreement, shall be governed by, and construed in accordance with, the laws of the State of Delaware, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware.

(d) If any provision of this Policy is determined to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted by applicable law and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under applicable law.