CtW Investment Group

Edward A. Mueller
Lead Independent Director
c/o the Corporate Secretary's Office
McKesson Corporation
One Post Street, 35th Floor
San Francisco, CA 94104

August 5, 2013

Dear Mr. Mueller:

In the wake of the unprecedented votes against the board's executive pay practices at this year's annual shareholder meeting (not disclosed until two days later), we call for the immediate resignation of Compensation Committee Chairman Alton Irby from the board and the renegotiation and reduction of CEO John Hammergren's $159 million pension benefit as part of a comprehensive overhaul of the company's compensation structure. As disclosed late Friday, shareholders rejected the board's work in extraordinarily strong numbers: 78 percent rejected management's say-on-pay proposal; 53 percent supported strengthening the company's policies to clawback executive compensation in the wake of executive misdeeds; and 40 percent voted against Irby's re-election to the board. With these outcomes, the ball is clearly in the board's court to respond with prompt and meaningful changes to the company's governance and executive compensation policies.

As recent director departures at Hewlett-Packard and JPMorgan demonstrate, oppositional votes of 40 percent or more are votes of no confidence that demand meaningful action. Given the sizable opposition Irby has previously received (47 percent in 2010) and considering that he bears the most responsibility, as chairman of the Compensation Committee, for the failed say-on-pay vote, it is clear investors have lost confidence in his qualifications as a director. Restoring credibility to the board requires that Irby resigns and the board engages investors in selecting a pool of potential replacement candidates.

At the same time, the board should take immediate steps to meaningfully reduce CEO Hammergren's pension plan. Although the company's pay flaws are numerous, this year's vote against the say-on-pay is a clear referendum on CEO Hammergren's pension and it is incumbent on the Compensation Committee to vastly reduce the terms of a benefit that provides no clear alignment with the interests of shareholders.

In yesterday's *New York Times*, columnist Gretchen Morgenson's column quotes a McKesson spokesperson, saying that "This year's proxy vote provided another opportunity to hear from shareholders and we are committed to responding to their feedback."[1] We believe this process begins with recruiting new directors capable of best representing the interests of shareholders. The CtW Investment Group offers its assistance to the company in responding to shareholder demands for changes at the company. My colleague Michael Pryce-Jones can be reached at 202-262-7437 or michael.pryce-jones@changetowin.org.

Sincerely,

Dieter Waizenegger,
Executive Director
CtW Investment Group

[11] Morgenson, Gretchen, "Clawbacks in Word, not Deed." *New York Times*, Aug 4, 2013.