

MCKESSON CORP  
Form DEF 14A  
June 19, 2014  
**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. )**

Filed by the Registrant    Filed by a Party other than the Registrant

**Check the appropriate box:**

Preliminary Proxy Statement

CONFIDENTIAL, FOR USE OF THE COMMISSION ONLY (AS PERMITTED BY RULE 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**McKESSON CORPORATION**

*(Name of Registrant as Specified In Its Charter)*

*(Name of Person(s) Filing Proxy Statement, if other than the Registrant)*

**Payment of Filing Fee (Check the appropriate box):**

**No fee required.**

**Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.**

- (1) Title of each class of securities to which transaction applies:
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- (4) Proposed maximum aggregate value of transaction:
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- (1) Amount Previously Paid:
- (2) Form, Schedule or Registration Statement No.:
- (3) Filing Party:
- (4) Date Filed:

McKesson Corporation  
One Post Street, San Francisco CA 94104-5296

**Notice of 2014 Annual Meeting of Stockholders**

**Wednesday, July 30, 2014**

**8:30 a.m. Pacific Daylight Time**

The 2014 Annual Meeting of Stockholders of McKesson Corporation will be held at the Hotel Sofitel, 223 Twin Dolphin Drive, Redwood City, California.

**ITEMS OF BUSINESS:**

- Elect for a one-year term a slate of nine directors as nominated by the Board of Directors;
- Ratify the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending March 31, 2015;
- Conduct a non-binding, advisory vote on executive compensation;
- Vote on three proposals submitted by shareholders, if properly presented; and
- Conduct such other business as may properly be brought before the meeting.

Shareholders of record at the close of business on June 2, 2014 are entitled to notice of and to vote at the meeting or any adjournment or postponement of the meeting.

**June 19, 2014**

By Order of the Board of Directors

**Willie C. Bogan**

*Associate General Counsel and Secretary*

**YOUR VOTE IS IMPORTANT.**

**We encourage you to read the proxy statement and vote your shares as soon as possible. You may vote via the Internet or by telephone. Specific instructions on how to vote using either of these methods are included on the proxy card. You may also vote by mail, and a return envelope for your proxy card is enclosed for your convenience.**

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PROXY STATEMENT

## GENERAL INFORMATION

### Proxies and Voting at the Annual Meeting

The Board of Directors of McKesson Corporation (the “Company,” “McKesson,” “we” or “us”), a Delaware corporation, is soliciting proxies to be voted at the Annual Meeting of Stockholders to be held July 30, 2014 (the “Annual Meeting”), and at any adjournment or postponement thereof. This proxy statement includes information about the matters to be voted upon at the Annual Meeting.

### Items of business to be considered at the Annual Meeting

The Board is asking you to take the following actions at the Annual Meeting:

<b>Item</b>	<b>Your Board’s Recommendation</b>
• Election of Nine Directors Named in the Proxy Statement	Vote <b>FOR</b>
• Ratification of the Appointment of the Independent Registered Public Accounting Firm	Vote <b>FOR</b>
• Non-binding, Advisory Vote on Executive Compensation	Vote <b>FOR</b>
• Shareholder Proposal on Action by Written Consent of Shareholders	Vote <b>AGAINST</b>
• Shareholder Proposal on Disclosure of Political Contributions and Expenditures	Vote <b>AGAINST</b>
• Shareholder Proposal on Accelerated Vesting of Equity Awards	Vote <b>AGAINST</b>

### Record date; Who can vote

On June 19, 2014, the Company began delivering proxy materials to all shareholders of record at the close of business on June 2, 2014 (the “Record Date”). On the Record Date, there were 231,592,678 shares of the Company’s common stock outstanding and entitled to vote. As a shareholder, you are entitled to one vote for each share of common stock you held on the Record Date, including shares: (i) held for you in an account with a broker, bank or other nominee; (ii) held directly in your name as the shareholder of record; or (iii) allocated to your account in the Company’s Profit-Sharing Investment Plan (the “PSIP”).

## **How to vote**

Shareholders can vote by mail, telephone or the Internet or in person at the Annual Meeting.

## **Shareholders of Record or a Participant in the Company's PSIP**

If you are a shareholder of record or a participant in the Company's PSIP, you can vote your shares by using the Internet, by calling a toll-free number, or by mailing your signed proxy card(s). Specific instructions for voting by means of the Internet or telephone are included on the accompanying proxy card. The Internet and telephone voting procedures are designed to authenticate your identity and to allow you to vote your shares and confirm that your voting instructions have been properly recorded. If you do not wish to vote via the Internet or by telephone, please complete, sign and return the proxy card in the self-addressed, postage-paid envelope provided.

## **Street Name Shareholders**

If you have shares held by a broker, bank or other nominee, you can vote your shares by following the instructions provided by your broker, bank or other nominee.

**Your vote as a shareholder is important. Please vote as soon as possible to ensure that your vote is recorded.**

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## **Valid Proxies**

All shares represented by valid proxies will be voted as specified. If you sign and return a proxy card without specific voting instructions, your shares will be voted as recommended by our Board of Directors (the “Board” or the “Board of Directors”) on all proposals described in this proxy statement, and in the discretion of the designated proxy holders as to any other matters that may properly come before the Annual Meeting. We currently know of no other matter to be presented at the Annual Meeting, except for the proposals described in this proxy statement.

All votes cast at the Annual Meeting will be tabulated by Broadridge Financial Solutions, Inc. (“Broadridge”), which has been appointed the independent inspector of election. Broadridge will determine whether or not a quorum is present.

## **Revocation**

You can revoke your proxy at any time before the Annual Meeting by sending to the Company’s Secretary a written revocation or a proxy bearing a later date. You may also revoke your proxy by attending the Annual Meeting in person and casting a ballot. If you hold your shares through a broker, bank or other nominee and have instructed the broker, bank or other nominee as to how to vote your shares, you must obtain a legal proxy and bring it to the meeting in order to change your vote or to vote at the Annual Meeting. Please contact your broker, bank or other nominee for specific information on how to obtain a legal proxy in order to vote your shares at the meeting.

## **Attendance at the Annual Meeting**

You will need to bring your admission ticket and any valid government-issued form of identification if you plan to attend the Annual Meeting. You will find an admission ticket attached to the proxy card if you are a registered shareholder or PSIP participant. If your shares are held in the name of a broker, bank or other shareholder of record and you plan to attend the Annual Meeting in person, you may obtain an admission ticket in advance by sending a request, along with proof of ownership, such as a brokerage or bank account statement, to the Company’s Secretary, One Post Street, 35<sup>th</sup> Floor, San Francisco, California 94104. Shareholders who do not have an admission ticket will only be admitted upon verification of ownership at the sole discretion of the Company.

## **Dividend Reinvestment Plan**



For those shareholders who participate in the Company's Automatic Dividend Reinvestment Plan ("DRP"), your proxy card includes all full shares of common stock held in your DRP account on the Record Date for the Annual Meeting, as well as your shares held of record.

### **Vote Required and Method of Counting Votes**

*Item 1 – Election of Directors.* Each share of the Company's common stock you own entitles you to one vote at the Annual Meeting. You may vote "for" or "against" one or more of the director nominees, or "abstain" from voting on the election of any nominee. A nominee will be elected as a director if he or she receives a majority of votes cast (that is, the number of votes cast "for" a director nominee must exceed the number of votes cast "against" that nominee). Abstentions or broker non-votes (as described below), if any, will not count as votes cast. There is no cumulative voting with respect to the election of directors.

*All Other Items* – For all other items to be presented at the Annual Meeting, approval of each of these proposals requires the affirmative vote of a majority of the shares present, in person or by proxy, and entitled to vote on the proposal at the Annual Meeting. You may vote "for" or "against," or "abstain" from voting on, each of these other proposals. Shares represented by abstentions on a proposal will be counted as present at the Annual Meeting and will have the effect of a vote against the matter; however, broker non-votes will have no effect on the outcome of the matter.

### **Voting Results of the Annual Meeting**

We intend to announce preliminary voting results at the Annual Meeting, and publish preliminary results or, if available, final results in a Current Report on Form 8-K to be filed with the Securities and Exchange Commission (the "SEC") within four business days after the Annual Meeting.

### **Quorum Requirement**

The presence in person or by proxy of holders of a majority of the outstanding shares of common stock entitled to vote will constitute a quorum for the transaction of business at the Annual Meeting. In the event of abstentions or broker non-votes, the shares represented will be considered present for quorum purposes.

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## **Broker Non-Votes**

Generally, broker non-votes occur when a broker, bank or other nominee does not have discretion to vote on a proposal without specific instructions from the beneficial owner and instructions are not given. Rules of the New York Stock Exchange (the "NYSE") prohibit discretionary voting by brokers on certain matters. At the Annual Meeting, if brokers, banks and other nominees have not received instructions from the beneficial owners, they will not be permitted to vote on any proposal other than the ratification of the appointment of the independent registered public accounting firm (Item 2).

**Therefore, we encourage all beneficial owners to provide voting instructions to your nominees to ensure that your shares are voted at the Annual Meeting.**

## **Profit-Sharing Investment Plan**

Participants in the Company's tax-qualified 401(k) plan, the PSIP, have the right to instruct the PSIP trustee, on a confidential basis, how the shares allocated to their accounts are to be voted, and will receive a voting instruction card for that purpose. In general, the PSIP provides that all shares for which no voting instructions are received from participants will be voted by the trustee in the same proportion as shares for which voting instructions are received. However, shares that have been allocated to PSIP participants' PAYSOP accounts for which no voting instructions are received will not be voted.

## **List of Shareholders**

The names of shareholders of record entitled to vote at the Annual Meeting will be available at the meeting and for 10 days prior to the meeting for any purpose germane to the Annual Meeting, during ordinary business hours, at our principal executive offices at One Post Street, 35<sup>th</sup> Floor, San Francisco, California 94104. You may obtain this information by contacting the Secretary of the Company.

## **Online Access to Annual Reports on Form 10-K and Proxy Statements**

The notice of annual meeting, proxy statement and Annual Report on Form 10-K for our fiscal year ended March 31, 2014 are available at [www.proxyvote.com](http://www.proxyvote.com). Instead of receiving future copies of the proxy statement and Annual Report on Form 10-K by mail, you may, by following the applicable procedures described below, elect to receive these documents electronically, in which case you will receive an e-mail with a link to these documents.

**Shareholders of Record:** You may elect to receive proxy materials next year in place of printed materials by logging on to *www.proxyvote.com* and entering your control number, which you can find on the accompanying proxy card. By doing so you will save the Company printing and mailing expenses, reduce the impact on the environment and obtain immediate access to the Annual Report on the Form 10-K, proxy statement and voting form when they become available.

**Beneficial Shareholders:** If you hold your shares through a broker, bank or other holder of record, you may also have the opportunity to receive copies of the proxy statement and Annual Report on Form 10-K electronically. Please check the information provided in the proxy materials mailed to you by your broker, bank or other holder of record regarding the availability of this service or contact the broker, bank or other holder of record through which you hold your shares and inquire about the availability of such an option for you.

If you elect to receive your materials via the Internet, you can still request paper copies by leaving a message with Investor Relations at (800) 826-9360 or by sending an e-mail to *investors@mckesson.com*.

### **Householding of Proxy Materials**

In a further effort to reduce printing costs, postage fees and the impact on the environment, we have adopted a practice approved by the SEC called “householding.” Under this practice, shareholders who have the same address and last name and do not participate in electronic delivery of proxy materials will receive only one copy of our proxy materials, unless any of these shareholders notifies us that he or she wishes to continue receiving individual copies. Shareholders who participate in householding will continue to receive separate proxy cards.

If you share an address with another shareholder and received only one set of proxy materials, but would like to request a separate copy of these materials, please contact Broadridge by calling (800) 542-1061 or by writing to Broadridge, Householding Department, 51 Mercedes Way, Edgewood, New York 11717. Similarly, you may also contact Broadridge if you received multiple copies of the proxy materials and would prefer to receive a single copy in the future.

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## **GOVERNANCE OVERVIEW**

### **An Independent, Experienced Board with Diverse Perspectives**

#### **Vital Balance of Industry-Specific and Functional Expertise**

The nine director nominees standing for reelection to the Board have a variety of qualifications, skills and experiences. We believe these various backgrounds, including the examples described below, contribute to an effective and well-balanced Board that is able to provide valuable insight to, and effective oversight of, our senior executive team.

#### **Experienced Leaders**

**All 9** nominees are experienced business leaders, which equips them to provide constructive insight to our management team.

#### **Healthcare**

**4** of the nominees are experienced leaders in the healthcare industry, **2** of whom led pharmaceutical or medical device companies, enabling them to provide valuable insight regarding our distribution business.

#### **Technology**

**3** of the nominees are experienced leaders in the technology industry, which allows them to effectively oversee the management of our technology solutions business.

#### **Financial Expertise**

**3** of the nominees have spent a significant portion of their careers focused on finance, **2** of them previously serving as Chief Financial Officers. This experience helps them recognize financial risks and oversee financial strategies.

## **Gathering Outside Perspectives**

The Board seeks input from its independent advisors and shareholders as it continues to review governance enhancements that are important to our shareholders. Following the 2013 Annual Meeting of Stockholders, members of the Board and management met with shareholders representing more than 50% of our outstanding shares to discuss governance matters.

Additionally, our directors bring valuable perspectives about governance best practices gained from their service on other boards on which they currently serve or have previously served. In fact:

**All of our director nominees have experience serving on public, private and/or not-for-profit boards.**

**None of our director nominees currently serves on more than two other public company boards.**

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### Actively Refreshing the Board with New Talent

The Board has begun preparing for the introduction of new directors, as four directors are expected to retire beginning this year and over the next three years, including Jane E. Shaw, Ph.D., our longest-tenured director, who will leave the Board at the upcoming Annual Meeting.

The Governance Committee continues to assess a pool of highly qualified, independent candidates for nomination to the Board. As a result of the ongoing assessment of potential candidates, the Board elected N. Anthony Coles, M.D., who joined the Board in April 2014 and is nominated for reelection at the Annual Meeting.

#### Current Board Tenure\*

#### Expected Composition at 2017 Annual Meeting\*\*

\* Includes Dr. Shaw who will be leaving the Board at the upcoming Annual Meeting

\*\* Assumes no expansion in Board size

### Governance Enhancements 2013 – 2014

Adopted and implemented the role of **Lead Independent Director**, with

- enumerated powers that exceed those of the peer group used to determine the competitiveness of our executive compensation program

- Appointed a **new director** to the Board

- **Refreshed and reorganized** Board committees and leadership:

- Appointed new chair of Governance Committee

- Appointed new chair of Compensation Committee

- Added new member to Compensation Committee and Finance Committee

- Proposed and implemented revisions to the By-Laws, **enabling shareholders to call a special meeting**

- Implemented a shareholder request to **enhance our “clawback” policy**

-

**Revised our CEO's pension benefit and modified our executive compensation program**, as detailed in the section of this proxy statement titled "Compensation Discussion and Analysis"

### **Commitment to Proxy Access in 2015**

In response to shareholder feedback and the Board's continuing evaluation of governance best practices, the Company recently announced our plans to submit a proposal at the 2015 Annual Meeting of Stockholders to adopt a proxy access by-law amendment. We are committed to continuing active shareholder engagement to understand and anticipate our shareholders' key governance concerns.

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PROPOSALS TO BE VOTED ON

**ITEM 1.** Election of Directors

There are nine nominees for election to the Board of Directors of the Company. The directors elected at the Annual Meeting will hold office until the 2015 Annual Meeting of Stockholders and until their successors have been elected and qualified, or until their earlier death, resignation or removal.

All nominees are existing directors. Andy D. Bryant, Wayne A. Budd, John H. Hammergren, Alton F. Irby III, M. Christine Jacobs, Marie L. Knowles, David M. Lawrence, M.D., and Edward A. Mueller were elected to the Board at the 2013 Annual Meeting of Stockholders. N. Anthony Coles, M.D., was elected to the Board effective April 2014. Our longest-tenured director, Jane E. Shaw, Ph.D., will be retiring from the Board at the Annual Meeting. For purposes of the upcoming Annual Meeting, the Governance Committee (formerly, the Committee on Directors and Corporate Governance) has recommended the reelection of each nominee as a director. Each nominee has informed the Board that he or she is willing to serve as a director. If any nominee should decline or become unable or unavailable to serve as a director for any reason, your proxy authorizes the persons named in the proxy to vote for a replacement nominee, if the Board names one, as such persons determine in their best judgment. As an alternative, the Board may reduce the number of directors to be elected at the Annual Meeting.

The following is a brief description of the age, principal occupation, position and business experience, including other public company directorships, for at least the past five years and major affiliations of each of the nominees. Each director's biographical information includes a description of the director's experience, qualifications, attributes or skills that qualify the director to serve on the Company's Board at this time.

**Nominees**

**Your Board recommends a vote "FOR" each Nominee.**

*Andy D. Bryant*

**Chairman of the Board, Intel Corporation**



Mr. Bryant, age 64, was elected Chairman of the Board of Intel Corporation in May 2012. He was named a director of Intel's board in July 2011 and served as Vice Chairman of the Board from that time until his election as Chairman. He served as Executive Vice President and Chief Administrative Officer of Intel from October 2007 to July 2011.

Mr. Bryant joined Intel in 1981 and held a number of management positions before serving as Intel's Chief Financial Officer from February 1994 to October 2007. He is also a director of Columbia Sportswear Company. He was formerly a director of Synopsys Inc. Mr. Bryant has been a director of the Company since January 2008. He is Chair of the Finance Committee and a member of the Audit Committee.

Mr. Bryant's years of experience as an executive at a large global company, including in the roles of Chief Administrative Officer and Chief Financial Officer, provide to the Company's Board operational, strategic planning and financial expertise and considerable business acumen, as well as international business experience. We believe the Company benefits from his Board leadership perspective garnered from serving as both Vice Chairman and Chairman of Intel's Board. Mr. Bryant also has other public company board experience with service on audit and governance committees.

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*Wayne A. Budd*

**Senior Counsel, Goodwin Procter LLP**

Mr. Budd, age 72, joined the law firm of Goodwin Procter LLP as Senior Counsel in October 2004. He had been Senior Executive Vice President and General Counsel and a director of John Hancock Financial Services, Inc. since 2000 and a director of John Hancock Life Insurance Company since 1998. From 1996 to 2000, Mr. Budd was Group President-New England for Bell Atlantic Corporation (now Verizon Communications, Inc.). From 1994 to 1997, Mr. Budd was a Commissioner, United States Sentencing Commission and from 1993 to 1996, he was a senior partner at the law firm of Goodwin Procter LLP. From 1992 to 1993, he was the Associate Attorney General of the United States and from 1989 to 1992, he was United States Attorney for the District of Massachusetts. He is also a director of PBF Energy Inc. Mr. Budd has been a director of the Company since October 2003. He is Chair of the Governance Committee and a member of the Audit Committee.

Mr. Budd brings to our Board significant legal and regulatory expertise gained from years of large law firm practice and major governmental positions with law enforcement responsibilities. His legal experience and seasoned judgment have been instrumental in helping the Board navigate legal challenges. In recognition of his distinguished legal career and important contributions to public life, Mr. Budd was named a 2011 recipient of the American Lawyer Lifetime Achievement Award. Additionally, Mr. Budd has senior executive business experience and public company board experience with service on audit, compensation, special litigation, and governance committees, including as current chair of the governance committee of PBF Energy Inc. His Board leadership skills have been enhanced through his role as Chairman of the National Board of Directors of the American Automobile Association from April 2011 to April 2013.

*N. Anthony Coles, M.D.*

**Chairman and Chief Executive Officer, TRATE Enterprises, LLC;  
Formerly President, Chief Executive Officer and Chairman of the Board, Onyx Pharmaceuticals, Inc.**

Dr. Coles, age 54, has held the position of Chairman and Chief Executive Officer of TRATE Enterprises, LLC, a privately held company, since October 2013. He served as President, Chief Executive Officer and Chairman of the Board of Onyx Pharmaceuticals, Inc., a biopharmaceutical company (“Onyx”), from 2012 until 2013, having served as its President and Chief Executive Officer, and a member of its board of directors, from 2008 until 2012. From 2005 to 2008, he served as an executive and a director of NPS Pharmaceuticals, Inc., a public biopharmaceutical company

(“NPS”). He began his tenure at NPS as President and Chief Operating Officer and ended his tenure there as President and Chief Executive Officer. Prior to 2005, he served in various leadership positions in the biopharmaceutical and pharmaceutical industries, including at Merck & Co., Inc., Bristol-Myers Squibb Company and Vertex Pharmaceuticals Incorporated. In addition to having previously served as a director of Onyx and NPS, he was formerly a director of Laboratory Corporation of America Holdings and Campus Crest Communities, Inc. Dr. Coles has been a director of the Company since April 2014. He is a member of the Compensation Committee and the Finance Committee.

As a former Chief Executive Officer and Chairman of the Board, Dr. Coles brings to the Board executive and board leadership experience, as well as business management and strategic planning experience, in the healthcare industry. We believe Dr. Coles’ training as a physician will serve the Board well as it provides oversight with respect to various aspects of the Company’s businesses. In addition, having joined the Board in April 2014, he brings a fresh perspective to the Board.

***John H. Hammergren***

**Chairman of the Board, President and Chief Executive Officer, McKesson Corporation**

Mr. Hammergren, age 55, has served as Chairman of the Board since July 2002, and President and Chief Executive Officer of the Company since April 2001. Mr. Hammergren joined the Company in 1996 and held a number of management positions before becoming President and Chief Executive Officer. He was a director of the Hewlett-Packard Company from 2005 through April 2013. He has been a director of the Company since July 1999.

Mr. Hammergren brings more than 30 years of business and healthcare experience to the Board, including service on other public company boards. Under Mr. Hammergren’s leadership, McKesson has become the leading provider of healthcare services and information technology solutions, increased revenues more than \$122 billion, expanded global markets, and provided shareholders with a significant annual return on investment. The Board benefits from Mr. Hammergren’s extensive knowledge of the Company, including his deep understanding of its customer base, competition, management team, workforce, challenges and opportunities. His involvement with the Healthcare Leadership Council, the Business Council and the Business Roundtable allows him to bring the Board new insights and perspectives on the changing healthcare industry, the nation’s economic and regulatory climate, and relevant public policy issues.

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*Alton F. Irby III*

**Chairman and Founding Partner, London Bay Capital**

Mr. Irby, age 73, was the founding partner and has been Chairman of London Bay Capital, a privately held investment firm, since May 2006. He was the founding partner of Tricorn Partners LLP, a privately held investment bank, from May 2003 to May 2006, a partner of Gleacher & Co. Ltd. from January 2001 until April 2003, and Chairman and Chief Executive Officer of HawkPoint Partners, formerly known as National Westminster Global Corporate Advisory, from 1997 until 2000. He was a founding partner of Hambro Magan Irby Holdings from 1988 to 1997. He serves as a director of Stifel Financial Corporation. He was formerly a director of Catlin Group PLC, Centaur Holdings PLC and ContentFilm PLC. Mr. Irby has been a director of the Company since January 1999. He is a member of the Audit Committee and the Finance Committee.

Mr. Irby has over 40 years of experience as a senior executive of financial services companies, and over 35 years of service on various private and public company boards. During this time, he has acquired significant international business experience and demonstrated entrepreneurial talent as the founding partner of several firms. Based on his overall experience, Mr. Irby is able to provide to the Company's Board valuable insights into financial and capital market matters, acquisition opportunities and divestiture considerations.

*M. Christine Jacobs*

**Chairman of the Board, President and Chief Executive Officer, Retired, Theragenics Corporation**

Ms. Jacobs, age 63, retired from Theragenics Corporation, a manufacturer of prostate cancer treatment devices and surgical products, in 2013, having served as its Chairman, President and Chief Executive Officer. She held the position of Chairman from 2007 to 2013, and previously from 1998 to 2005. She was Co-Chairman of the Board from 1997 to 1998 and was elected President in 1992 and Chief Executive Officer in 1993. Ms. Jacobs has been a director of the Company since January 1999. She is a member of the Compensation Committee and the Governance Committee.

Having led a public company within the healthcare industry for over 20 years, Ms. Jacobs brings to our Board significant relevant industry experience and a keen understanding of and strong insight into issues, challenges and opportunities facing the Company, including those related to legislative healthcare initiatives. As a Chairman and Chief Executive Officer, she was at the forefront of her company in regard to the evolving corporate governance

environment, which enables her to provide ongoing valuable contributions as a member of the Governance Committee of our Board. In September 2011, Ms. Jacobs began serving as Co-Chair of the Securities and Exchange Commission Advisory Committee on Small and Emerging Companies, which reflects her leadership experience and capital formation experience. She has accepted a second term as Co-Chair and continues to serve in that capacity.

***Marie L. Knowles***

**Executive Vice President and Chief Financial Officer, Retired, ARCO**

Ms. Knowles, age 67, retired from Atlantic Richfield Company (“ARCO”) in 2000 and was Executive Vice President and Chief Financial Officer from 1996 until 2000 and a director from 1996 until 1998. She joined ARCO in 1972. Ms. Knowles is also a member of the Board of Trustees of the Fidelity Funds. She has been a director of the Company since March 2002. She is Chair of the Audit Committee and a member of the Finance Committee.

Ms. Knowles brings to the Board extensive financial experience gained through her career at ARCO, including her tenure as Chief Financial Officer. This experience makes her well qualified to serve as Chair of the Company’s Audit Committee and as the audit committee financial expert. This experience also enables Ms. Knowles to provide critical insight into, among other things, the Company’s financial statements, accounting principles and practices, internal control over financial reporting, and risk management processes. It is also noteworthy that Ms. Knowles was named a 2013 Outstanding Director by the San Francisco Business Times and the Silicon Valley Business Journal.

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*David M. Lawrence, M.D.*

**Chairman of the Board and Chief Executive Officer, Retired, Kaiser Foundation Health Plan, Inc. and Kaiser Foundation Hospitals**

Dr. Lawrence, age 73, retired from Kaiser Foundation Health Plan, Inc. and Kaiser Foundation Hospitals in 2002, having served as Chairman of the Board from 1992 and Chief Executive Officer from 1991. He held a number of management positions with these organizations prior to assuming these positions, including Vice Chairman of the Board and Chief Operating Officer. He was formerly a director of Agilent Technologies, Inc., Raffles Medical Group, Inc., PG&E Corporation and Dynavax Technologies Corporation. Dr. Lawrence has been a director of the Company since January 2004. He is a member of the Compensation Committee and the Finance Committee.

Dr. Lawrence possesses considerable leadership experience in the healthcare industry, having served for a decade as Chairman and Chief Executive Officer of one of the largest private healthcare systems in the world. This experience, coupled with his training as a physician, enables him to provide an important perspective and valuable insight into various aspects of the Company's businesses. In addition, Dr. Lawrence brings to our Board broad experience and perspective gained through his considerable public company board experience, including his service on compensation, audit, finance and governance committees.

*Edward A. Mueller*

**Chairman of the Board and Chief Executive Officer, Retired, Qwest Communications International Inc.**

Mr. Mueller, age 67, retired as Chairman and Chief Executive Officer of Qwest Communications International Inc., a provider of voice, data and video services, in April 2011. He held the position of Chairman and Chief Executive Officer of Qwest Communications from August 2007 to April 2011. From January 2003 until July 2006, he served as Chief Executive Officer of Williams-Sonoma, Inc., a provider of specialty products for cooking. Prior to joining Williams-Sonoma, Inc., Mr. Mueller served as President and Chief Executive Officer of Ameritech Corporation, a subsidiary of SBC Communications, Inc., from 2000 to 2002. He was formerly a director of The Clorox Company, CenturyLink, Inc., Williams-Sonoma, Inc. and VeriSign, Inc. Mr. Mueller has been a director of the Company since April 2008 and has served as the Lead Independent Director since July 2013. He is a member of the Compensation Committee and the Governance Committee.

Mr. Mueller brings to the Board chief executive leadership and business management experience, as well as a strong business acumen and strategic planning expertise. Having worked outside the healthcare industry, he also adds to the mix of experiences and perspectives on our Board that promote a robust deliberative and decision-making process. While Chairman of the Board of Qwest Communications, Mr. Mueller had a leadership role in corporate governance, which enables him to provide valuable contributions as a member of the Governance Committee of our Board. He also has public company board experience with audit committee service.

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[Back to Contents](#)**The Board, Committees and Meetings**

The Board of Directors is the Company's governing body with responsibility for oversight, counseling and direction of the Company's management to serve the long-term interests of the Company and its shareholders. The Board's goal is to build long-term value for the Company's shareholders and to ensure the vitality of the Company for its customers, employees and other individuals and organizations that depend on the Company. To achieve its goals, the Board monitors both the performance of the Company and the performance of the Chief Executive Officer ("CEO"). The Board consisted of nine members during the fiscal year ended March 31, 2014 ("FY 2014"), all of whom were independent with the exception of the Chairman of the Board (the "Chairman"). With the election of Dr. Coles effective April 2014, the Board currently consists of 10 members, all of whom are independent with the exception of the Chairman. Upon the retirement of Dr. Shaw at the Annual Meeting, the size of the Board will again be reduced to nine members.

The Board has, and for many years has had, standing committees: currently, the Audit Committee, the Compensation Committee, the Governance Committee, and the Finance Committee. Each of these committees is governed by a written charter approved by the Board in compliance with the applicable requirements of the SEC and the NYSE listing requirements (collectively, the "Applicable Rules"). The charter of each committee requires an annual review by such committee. Each member of our standing committees is independent, as determined by the Board, under the NYSE listing standards and the Company's director independence standards. In addition, each member of the Audit Committee and Compensation Committee meets the additional, heightened independence criteria applicable to committee members under the Applicable Rules. The members of each standing committee are appointed by the Board each year for a term of one year or until their successors are elected.

The membership of each standing committee and the number of meetings held during FY 2014 are identified in the table below.

**Board and Meeting Attendance**

The Board met 10 times during FY 2014. Each director attended at least 75% of the aggregate number of meetings of the Board and of all the standing and other committees on which he or she served. Directors meet their responsibilities not only by attending Board and committee meetings, but also through communication with executive management, independent accountants, advisors and consultants and others on matters affecting the Company. Directors are also expected to attend the upcoming Annual Meeting. All directors attended the Annual Meeting of Stockholders held in July 2013.

<b>Director</b>	<b>Audit</b>	<b>Compensation</b>	<b>Governance</b>	<b>Finance</b>
Andy D. Bryant	X	—	—	<b>Chair</b>
Wayne A. Budd	X	—	<b>Chair</b>	—



N. Anthony Coles, M.D.*	—	X	—	X
John H. Hammergren	—	—	—	—
Alton F. Irby III	X	—	—	X
M. Christine Jacobs	—	X	X	—
Marie L. Knowles	<b>Chair</b>	—	—	X
David M. Lawrence, M.D.	—	X	—	X
Edward A. Mueller	—	X	X	—
Jane E. Shaw, Ph.D.	—	<b>Chair</b>	X	—
<b>Number of meetings held during FY 2014</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>4</b>

\* Dr. Coles did not attend any of the meetings held in FY 2014 as he was elected to the Board at the start of McKesson's fiscal year ending March 31, 2015 ("FY 2015").

In addition, the Board has, on occasion, established committees to deal with particular matters the Board believes appropriate to be addressed in that manner.

## Committee Responsibilities and Other Information

### Audit Committee

The Audit Committee is responsible for, among other things, reviewing with management the annual audited financial statements filed in the Annual Report on Form 10-K, including any major issues regarding accounting principles and practices as well as the adequacy and effectiveness of internal control over financial reporting that could significantly affect the Company's financial statements. Along with other responsibilities, the Audit Committee reviews with management and the independent registered public accounting firm (the "independent accountants") the interim financial statements prior to the filing of the Company's quarterly reports on Form 10-Q. In addition to appointing the independent accountants, monitoring their independence, evaluating their performance and approving their fees, the Audit Committee has responsibility for reviewing and accepting the

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annual audit plan, including the scope of the audit activities of the independent accountants. The Audit Committee at least annually reassesses the adequacy of its charter and recommends to the Board any proposed changes, and periodically reviews major changes to the Company's accounting principles and practices. The committee also reviews the appointment, performance and replacement of the senior internal audit department executive and advises the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations and with the Company's code of conduct. Additionally, the committee performs such other activities and considers such other matters, within the scope of its responsibilities, as the Audit Committee or Board deems necessary or appropriate. The composition of the Audit Committee, the attributes of its members, including the requirement that each be "financially literate" and have other requisite experience, and the responsibilities of the committee, as reflected in its charter, are in accordance with the Applicable Rules for corporate audit committees.

*Audit Committee Financial Expert*

The Board has designated Ms. Knowles as the Audit Committee's financial expert and has determined that she meets the qualifications of an "audit committee financial expert" in accordance with SEC rules, and that she is "independent" as defined for audit committee members in the listing standards of the NYSE and applicable SEC requirements, and in accordance with the Company's director independence standards.

**Compensation Committee**

The Compensation Committee has responsibility for, among other things, reviewing all matters relating to executive officer compensation. Along with its other responsibilities, the Compensation Committee, with respect to executive officers, annually reviews and determines the salary paid; the grants of cash-based incentives and equity compensation; the entering into or amendment or extension of any employment contract or similar arrangement; the severance or change in control arrangements; the material perquisites provided; and any other executive officer compensation matter that may arise from time to time as directed by the Board.

The Compensation Committee periodically reviews and makes recommendations to the Board with respect to adoption of, or amendments to, all equity-based incentive compensation plans and arrangements for employees and cash-based incentive plans for executive officers, including an evaluation of whether the relationship between the incentives associated with these plans and the level of risk-taking by executive officers in response to such incentives is reasonably likely to have a material adverse effect on the Company. Subject to certain limitations, the Compensation Committee approves the grant of stock, stock options, stock purchase rights or other equity grants to employees eligible for such grants. Annually, the Compensation Committee reviews its charter and recommends to the Board any changes it determines are appropriate. It participates with management in the preparation of the Compensation Discussion and Analysis for the Company's proxy statement. The committee also performs such other activities required by applicable law, rules or regulations and, consistent with its charter, as the Compensation Committee or the Board deems necessary or appropriate.

The Compensation Committee may delegate to any officer or officers the authority to grant compensatory awards to employees other than directors or executive officers, provided that such grants are within the limits established by the Delaware General Corporation Law and by resolution of the Board. The Compensation Committee determines the structure and amount of all executive officer compensation, including grants of equity, after considering the initial recommendation of management and in consultation with the Compensation Committee's independent compensation consultant.

In accordance with its charter, the Compensation Committee annually evaluates the qualifications, performance and independence of its advisors. The Compensation Committee has the sole authority and right, when it deems necessary or appropriate, to retain, obtain the advice of and terminate compensation consultants, independent legal counsel or other advisors of its choosing. The committee has the sole authority to approve the fee arrangement and other retention terms of such advisors, and the Company must provide for appropriate funding. In this regard, the Compensation Committee is directly responsible for the appointment, fee arrangement and oversight of the work of any compensation consultant, independent legal counsel or other advisor retained.

During FY 2014, the Compensation Committee directly employed two independent compens