July 24, 2017

Mr. Edward Mueller
Lead Independent Director
McKesson Corporation
One Post Street
San Francisco, CA 94104

Re: Company's Role in Ongoing Opioid Epidemic

Dear Mr. Mueller,

Opioid deaths have reached epidemic proportions, according to the Centers for Disease Control and Prevention. These deaths include overdoses from prescription pain relievers and heroin.

The pharmaceutical industry appears to have played a central role in creating this crisis. According to the National Institute on Drug Abuse, pharmaceutical companies began roughly twenty years ago to downplay the addiction risks from prescription opioid pain relievers, effectively encouraging doctors and other providers to prescribe these powerful drugs in increasing levels. Tragically, Big Pharma's reassurances were devastatingly inaccurate. Addiction to the drugs became a plague on many communities, and significant misuse and diversion of the medications followed soon after.

The impacts of the resulting opioid overdoses are simply staggering. In 2015, more than 33,000 Americans – 90 for each day of the year – died from overdosing on prescription opioids, heroin and illegally manufactured fentanyl (a synthetic, and even more potent, form of opioid). It is estimated that roughly 2 million Americans struggle with substance use disorders associated with prescription opioid pain relievers, with 591,000 suffering from heroin use disorders[i].

Although challenges from drug addiction reach into every corner of America, they often prey most heavily on communities that are already struggling with poverty and economic dislocation. West Virginia, for example, contains the four counties suffering from the highest number of fatalities in the country from pain pills, and ten of the top twenty counties, according to information from the United States Centers for Disease Control.

McKesson, along with Cardinal Health and AmerisourceBergen Drug Co., are the largest prescription drug wholesalers in the nation. They supplied more than half of all pain pills provided to West Virginia residents between 2007 and 2012 according to news reports. There have been clear warning signs – to anyone who wanted to recognize them – that the prescription and use of opioid pain killers was spiraling out of control. McKesson and other wholesalers have been, over time, shipping fewer pills in lower dosages (5 milligram pills) but many more pills in higher (and more dangerous) doses. Between 2007 and 2012, the number of 30-milligram OxyContin tablets shipped to West Virginia increased six-fold, the supply of 15-milligram pills tripled and 10-milligram oxycodone pills supplied nearly doubled. The most troubling, and most glaringly obvious, aspect of this growth is that the highest doses experienced the most dramatic increases in usage (or at least in supply).

While the opioid epidemic has been brutal for millions of Americans, it has been very good to wholesalers of these drugs. McKesson is now the fifth-largest corporation in America. The combined revenues of McKesson, Cardinal and AmerisourceBergen exceed $400 billion, making them, in aggregate, almost as large as Wal-Mart[ii].

The epidemic has scythed through not just too many individual Americans but also through America's economy. According to a report by Goldman Sachs, opioid use is a key factor in why many men of prime working age are unable or unwilling to find work. A Goldman economist identified the crisis as having caused "significant costs both to employers and the public sector." This may be an understatement: with 1.8 million workers out of the labor force at the beginning of this year for reasons other than retirement, schooling, disability or taking care of a loved one, fully 47 percent of non-labor force individuals told a survey that they had taken pain medicine the day before (two-thirds of those describing it as a prescription medicine)[iii].

Senior employees at the three largest drug wholesalers have fared a little better at their jobs. The chief executives of McKesson, Cardinal Health and AmerisourceBergen collected salaries and compensation, in aggregate, of more than $450 million over just the last four years. McKesson's CEO was the highest paid executive in the US in 2012, according to Forbes[iv].

We are elected representatives of the citizens of our states, and manage the investment of many of the assets of our governments. We are deeply concerned about the welfare of these citizens, and we are institutionally responsible for safeguarding the economic vitality of our economies and our public resources. We are also, in many instances shareholders in pharmaceutical firms associated with – and whose stock values may be diminished by – the explosion of opioid prescriptions, abuses, addictions, illnesses, and deaths.

Responsible leaders from the pharmaceutical industry must act to stop this epidemic. It must police its own conduct; better equip medical professionals to safely utilize powerful, but addictive, pain medicines; and take concrete steps to support individuals and communities that have been ravaged by misuse of opioids.

But even those steps are insufficient. We believe the extent of the problem; McKesson's inadequate response to date; and McKesson's potential exposure to substantial litigation costs, damages awards, and a significantly less lenient regulatory environment require McKesson to also take these specific steps to mitigate public health risks and protect shareholder value.

Specifically, we request that the McKesson Board of Directors:

a) take steps necessary to adopt the policy proposed for action at the 2017 shareholder meeting that would require, to the extent feasible, the Chairman of the Board to be an independent director who has not previously served as an executive officer of the Company, and to then take steps necessary to amend the by-laws to separate the Board chair and the Company chief executive officer responsibilities into two distinct positions, with the Chairman of the Board being an independent director who has never previously served as an executive officer of the Company;

b) engage independent counsel to promptly prepare a report to the Board, which is also made available to the public, that informs shareholders of the financial risk to which McKesson is exposed based upon its prescription opioid distribution – and associated – activities;

c) using McKesson's March 2017 report, *"Combatting the Opioid Abuse Epidemic: A Shared Responsibility that Requires Innovative Solutions,"* as a starting point, direct that a report be submitted within six months to the Board that examines the scope of the prescription opioid addiction problem in America, the causes of the problem (including the roles of opioid manufacturers and distributors in the pricing, public and insider marketing, and supplying of opioid medications), the impacts of the problem on public health and government resources, and possible compassionate responses to the problem (including both addiction prevention measures and comprehensive treatment programs for individuals already addicted);

d) drive innovative solutions by including a metric for senior executive compensation related to progress towards the fight against the opioid epidemic. The individual performance modifier in the short-term incentive plan may capture effective leadership on the opioid epidemic; and

e) instruct the Compensation Committee to secure recovery in accordance with McKesson's clawback policy regarding "conduct that is not in good faith and which disrupts, damages, impairs or interferes with the business, reputation or employees of the Company" by recouping compensation from senior executives charged with risk oversight for their failure to identify and remedy McKesson's role in the opioid epidemic.

Although little more can be done for the tens of thousands of lives already lost or ruined as a consequence of opioid addiction, there is still time for McKesson to become an industry leader in addressing the still enormous challenges facing millions of prescription drug users. We urge you to act immediately upon the requests in this letter. As a first step, we ask that you schedule a meeting between senior management and representatives of our offices to discuss appropriate responses.

We are prepared to meet with you at your earliest opportunity.

Thank you for your consideration of this letter.

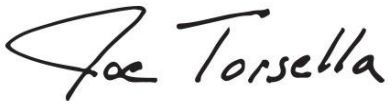
Sincerely yours,



John D. Perdue
State Treasurer of West Virginia



Michael W. Frerichs
State Treasurer of Illinois



Joseph M. Torsella
State Treasurer of Pennsylvania

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[i] https://www.drugabuse.gov/drugs-abuse/opioids/opioid-crisis
[ii] http://www.wvgazettemail.com/news-health/20161217/drug-firms-poured-780m-painkillers-into-wv-amid-rise-of-overdoses
[iii] http://money.cnn.com/2017/07/07/news/economy/opioid-epidemic-job-market/index.html
[iv] http://www.wvgazettemail.com/news-health/20161217/drug-firms-poured-780m-painkillers-into-wv-amid-rise-of-overdoses