

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:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
- (4) Proposed maximum aggregate value of transaction:
- (5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (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.

Table of Contents

<u>GENERAL INFORMATION</u>	<u>1</u>
<u>Proxies and Voting at the Annual Meeting</u>	<u>1</u>
<u>Online Access to Annual Reports on Form 10-K and Proxy Statements</u>	<u>3</u>
<u>GOVERNANCE OVERVIEW</u>	<u>4</u>
<u>ITEM 1. Election of Directors</u>	<u>6</u>
<u>Nominees</u>	<u>6</u>
<u>The Board, Committees and Meetings</u>	<u>10</u>
<u>Director Compensation</u>	<u>12</u>
<u>Corporate Governance</u>	<u>14</u>
<u>ITEM 2. Ratification of Appointment of Deloitte & Touche LLP as the Company’s Independent Registered Public Accounting Firm for Fiscal Year 2015</u>	<u>22</u>
<u>Audit Committee Report</u>	<u>23</u>
<u>PRINCIPAL SHAREHOLDERS</u>	<u>24</u>
<u>Security Ownership of Certain Beneficial Owners</u>	<u>24</u>
<u>Security Ownership of Directors and Executive Officers</u>	<u>25</u>
<u>EXECUTIVE COMPENSATION</u>	<u>26</u>
<u>Compensation Discussion and Analysis</u>	<u>27</u>
<u>Compensation Committee Report on Executive Compensation</u>	<u>46</u>
<u>Compensation Committee Interlocks and Insider Participation</u>	<u>46</u>
<u>2014 Summary Compensation Table</u>	<u>47</u>
<u>2014 Grants of Plan-Based Awards Table</u>	<u>49</u>
<u>2014 Outstanding Equity Awards Table</u>	<u>50</u>
<u>2014 Option Exercises and Stock Vested Table</u>	<u>51</u>
<u>2014 Pension Benefits Table</u>	<u>51</u>
<u>2014 Nonqualified Deferred Compensation Table</u>	<u>54</u>
<u>Executive Employment Agreements</u>	<u>56</u>
<u>Potential Payments upon Termination or Change in Control</u>	<u>60</u>
<u>ITEM 3. Advisory Vote on Executive Compensation</u>	<u>66</u>
<u>ITEM 4. Shareholder Proposal on Action by Written Consent of Shareholders</u>	<u>66</u>

[Back to Contents](#)

ITEM 5. Shareholder Proposal on Disclosure of Political Contributions and Expenditures **68**

ITEM 6. Shareholder Proposal on Accelerated Vesting of Equity Awards **70**

ADDITIONAL CORPORATE GOVERNANCE MATTERS **72**

APPENDIX A **Supplemental Information: GAAP to Non-GAAP Reconciliation** **A-1**

[Back to Contents](#)

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:

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

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.

[Back to Contents](#)

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, 35th 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.

[Back to Contents](#)

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, 35th 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. 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.

[Back to Contents](#)

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.

- 2014 Proxy Statement 4

[Back to Contents](#)

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.

- 2014 Proxy Statement 5

[Back to Contents](#)

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.

[Back to Contents](#)

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.

[Back to Contents](#)

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.

[Back to Contents](#)

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.

- 2014 Proxy Statement 9

[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.

Director	Audit	Compensation	Governance	Finance
Andy D. Bryant	X	—	—	Chair
Wayne A. Budd	X	—	Chair	—

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

* 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

[Back to Contents](#)

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 compensation consultants, Semler Brossy Consulting Group, LLC and Compensation Strategies, Inc., and independent legal counsel, Gunderson Dettmer Stough Villeneuve Franklin & Hachigian, LLP. These advisors do not provide any services to management. Compensation Strategies, Inc. provided consulting services to the Governance Committee in the area of director compensation. Additional information on the Compensation Committee's process and procedures for consideration of executive compensation is addressed in the Compensation Discussion and Analysis.

Finance Committee

The Finance Committee has responsibility for, among other things, reviewing the Company's dividend policy, reviewing the adequacy of the Company's insurance programs and reviewing with management the long-range financial policies of the Company. Along with other responsibilities, the Finance Committee provides advice and counsel to management on the financial aspects of significant acquisitions and divestitures, major capital commitments, proposed financings and other significant transactions. The committee also makes recommendations concerning significant changes in the capital structure of the Company, reviews tax planning strategies utilized by management, reviews the funding status and investment policies of the Company's tax-qualified retirement plans, and reviews and (when authorized by the Board) approves the principal terms and conditions of securities that may be issued by the Company.

[Back to Contents](#)

Governance Committee

The Governance Committee has responsibility for, among other things, reviewing the size and composition of the Board and recommending measures to be taken so that the Board reflects the appropriate balance of knowledge, experience, skills, expertise and diversity; recommending the slate of nominees to be proposed for election at the annual meeting of stockholders; recommending qualified candidates to fill Board vacancies; and reviewing, in consultation with the Lead Independent Director, the composition of the standing committees of the Board and recommending any changes. Along with other responsibilities, the Governance Committee evaluates the Board's overall performance, develops and administers the Company's related party transactions policy, monitors emerging corporate governance trends, and oversees and evaluates the Company's corporate governance policies and programs. The committee also advises the Board on director compensation matters, including equity awards to directors.

Director Qualifications, Nomination and Diversity

To fulfill its responsibility to recruit and recommend to the full Board nominees for election as directors, the Governance Committee considers all qualified candidates who may be identified by any one of the following sources: current or former Board members, a professional search firm, Company executives or shareholders. Shareholders who wish to propose a director candidate for consideration by the Governance Committee may do so by submitting the candidate's name, resume and biographical information and qualifications to the attention of the Secretary of the Company at One Post Street, 35th Floor, San Francisco, California 94104. All proposals for recommendation or nomination received by the Secretary will be presented to the Governance Committee for its consideration. The Governance Committee and the Company's CEO will interview those candidates who meet the criteria described below, and the Governance Committee will recommend to the Board nominees that best suit the Board's needs. In order for a recommended director candidate to be considered by the Governance Committee for nomination for election at an upcoming annual meeting of stockholders the recommendation must be received by the Secretary not less than 120 days prior to the anniversary date of the Company's most recent annual meeting of stockholders.

In evaluating candidates for the Board, the Governance Committee reviews each candidate's biographical information and credentials, and assesses each candidate's independence, skills, experience and expertise based on a variety of factors. Members of the Board should have the highest professional and personal ethics, integrity and values consistent with the Company's values. They should have broad experience at the policy-making level in business, technology, healthcare or public interest, or have achieved national prominence in a relevant field as a faculty member or senior government officer. The Governance Committee will consider whether the candidate has had a successful career that demonstrates the ability to make the kind of important and sensitive judgments that the Board is called upon to make, and whether the candidate's skills are complementary to the existing Board members' skills. Board members must take into account and balance the legitimate interests and concerns of all of the Company's shareholders and other stakeholders, and each must be able to devote sufficient time and energy to the performance of his or her duties as a director, as well as have a commitment to diversity.

Dr. Coles has been nominated to stand for election by the shareholders for the first time. He was initially identified as a potential director candidate by a member of the Board. A professional search firm gathered biographical information on Dr. Coles and vetted his qualifications, experience and skills, as well as those of other potential director candidates, after which Dr. Coles was brought to the attention of Governance Committee members and Mr. Hammergren as Chairman. Each of them separately interviewed Dr. Coles. Other potential director candidates were also interviewed. Subsequently, at its meeting in January 2014, the Governance Committee considered biographical and background information on Dr. Coles and evaluated his experience, qualifications and skills, as well as those of other potential director candidates. At its February 2014 meeting, the Governance Committee, after further considering and evaluating Dr. Coles' candidacy and after assessing his independence, nominated Dr. Coles for election as a director. In February 2014, the Board elected Dr. Coles as a director effective as of April 29, 2014. In May 2014, the Governance Committee recommended for nomination, and the Board nominated, Dr. Coles along with the other eight nominees to stand for election by the shareholders.

The Governance Committee has responsibility under its charter to review annually with the Board the size and composition of the Board with the objective of achieving the appropriate balance of knowledge, experience, skills, expertise and diversity required for the Board as a whole. Although the Board does not maintain a formal policy regarding diversity, the Governance Committee considers diversity to include diversity of backgrounds, cultures, education, experience, skills, thought, perspectives, personal qualities and attributes, and geographic profiles (i.e., where the individuals have lived and worked), as well as race, ethnicity, gender, national origin and other categories. A high level of diversity on our Board has been achieved in these areas, as evidenced by the information concerning our directors that is provided under "Nominees" above. Our Governance Committee and Board believe that a diverse representation on the Board fosters a robust, comprehensive, and balanced deliberative and decision-making process that is essential to the continued effective functioning of the Board and continued success of the Company.

Director Compensation

The Company believes that compensation for non-employee directors should be competitive and should encourage ownership of the Company's stock. The compensation for each non-employee director of the Company includes an annual cash retainer, an annual restricted stock unit ("RSU") award and meeting fees. With regard to standing committees, non-employee directors receive a \$1,500 per-meeting fee, except that the fee is \$2,000 for Audit Committee meetings. With regard to meetings other than standing committee meetings, the Governance Committee determines on a case-by-case basis whether meeting fees are appropriate for non-employee directors. The Board has established a \$1,500 per-meeting fee in each

[Back to Contents](#)

case in which the Governance Committee determines a meeting fee is appropriate. In addition to the compensation described above, the Lead Independent Director and chairs of the standing committees receive an annual retainer. Non-employee directors are paid their reasonable expenses for attending Board and committee meetings. Directors who are employees of the Company or its subsidiaries do not receive any compensation for service on the Board. The Governance Committee annually reviews the level and form of the Company's director compensation and, if it deems appropriate, recommends to the Board changes in director compensation.

Cash Compensation

Director annual retainers and meeting fees are paid in cash. Directors may elect in advance of a calendar year to defer up to 100% of their annual retainer (including any standing committee chair or Lead Independent Director retainer) and meeting fees into the Company's Deferred Compensation Administration Plan III ("DCAP III"). The minimum deferral period for any amounts deferred is five years; however, notwithstanding the director's deferral election, if a director ceases to be a director of the Company for any reason other than death, disability or retirement, the account balance will be paid in a lump sum in the first January or July which is at least six months following and in the year after his or her separation from service. In the event of death, disability or retirement, the account balance will be paid in accordance with the director's deferral election. To be eligible for retirement, a director must have served on the Board for at least six consecutive years prior to his or her separation. The Compensation Committee approves the interest rates to be credited each year to amounts deferred into DCAP III. The interest rate for deferrals under DCAP III through December 31, 2013 was (i) 8% per year for amounts deferred to January 1, 2010 and (ii) 120% of the long-term applicable federal rate published for December 2012 by the Internal Revenue Service (the "IRS") for amounts deferred on or after January 1, 2010. From January 1, 2014 through March 31, 2014, the interest rate for all deferred amounts was 120% of the long-term applicable federal rate published for December 2013 by the IRS.

The following table summarizes the cash compensation provided to non-employee directors:

Non-Employee Director Cash Compensation

Annual cash retainer	\$75,000
Additional retainer for Lead Independent Director*	\$25,000
Additional retainer for Chair of the Audit Committee	\$20,000
Additional retainer for Chair of the Compensation Committee	\$20,000
Additional retainer for Chair of all other standing committees	\$10,000
Meeting fee for each Audit Committee meeting attended	\$2,000
Meeting fee for each Board, committee or other meeting attended	\$1,500

* Total annual retainer for Lead Independent Director is \$50,000, one-half of which is payable in equity as described immediately below.

Equity Compensation

Each July, non-employee directors receive an automatic annual grant of RSUs valued at \$150,000, and the Lead Independent Director receives an additional grant of RSUs valued at \$25,000. The actual number of RSUs granted is determined in each case by dividing the dollar value of the grant by the closing price of the Company's common stock on the grant date (with any fractional unit rounded up to the nearest whole unit); provided, however, that the number of units granted in any annual grant will in no event exceed 5,000, in accordance with our 2013 Stock Plan.

The RSUs granted to non-employee directors are vested upon grant. If a director meets the director stock ownership guidelines (currently \$300,000 in shares and share equivalents), then the director will, on the grant date, receive the shares underlying the RSUs, unless the director elects to defer receipt of the shares. The determination of whether a director meets the director stock ownership guidelines is made as of the last day of the deferral election period preceding the applicable RSU award. If a non-employee director has not met the stock ownership guidelines as of the last day of such deferral election period, then payment of the shares underlying the RSUs will automatically be deferred until the director's separation from service.

Recipients of RSUs are entitled to dividend equivalents at the same dividend rate applicable to the Company's common shareholders, which is determined by our Board and currently is \$0.24 per share each quarter. For our directors, dividend equivalents on the RSUs are credited quarterly to an interest-bearing cash account and are not distributed until the shares underlying the RSUs are issued to the director. Interest accrues on directors' credited dividend equivalents at the rate set by the Compensation Committee under the terms of our 2013 Stock Plan, which is currently 120% of the long-term applicable federal rate published for December 2013 by the IRS.

All Other Compensation and Benefits

Non-employee directors are eligible to participate in the McKesson Foundation's Executive Request Program and Matching Gifts Program. Under these programs, our non-employee directors may request that the foundation make donations to qualifying public charitable organizations, and our non-employee directors' own gifts to schools, educational associations or funds, and other public charitable organizations are eligible for a match by the foundation of up to \$5,000 per director for each fiscal year.

[Back to Contents](#)**2014 Director Compensation Table**

The following table sets forth information concerning the compensation paid to or earned by each non-employee director for the fiscal year ended March 31, 2014. Mr. Hammergren, our Chairman, President and CEO, is not included in this table as he is an employee of the Company and thus receives no compensation for his service as a director. The compensation paid to or earned by Mr. Hammergren as an officer of the Company is shown in the 2014 Summary Compensation Table. Dr. Coles is not included in this table because he was not elected to the Board until after March 31, 2014.

Name	Fees Earned or Paid in		Change in Pension Value and	All Other Compensation (\$) ⁽⁴⁾	Total (\$)
	Cash (\$) ⁽¹⁾	Stock Awards (\$) ⁽²⁾	Nonqualified Deferred Compensation Earnings (\$) ⁽³⁾		
Andy D. Bryant	128,000	150,013	10,814	—	288,827
Wayne A. Budd	119,630	150,013	28,610	5,000	303,253
Alton F. Irby III	119,500	150,013	30,120	—	299,633
M. Christine Jacobs	111,000	150,013	5,093	—	266,106
Marie L. Knowles	126,500	150,013	18,041	—	294,554
David M. Lawrence, M.D.	108,000	150,013	10,269	—	268,282
Edward A. Mueller	131,000	175,036	9,381	—	315,417
Jane E. Shaw, Ph.D.	137,261	150,013	20,062	2,500	309,836

Consists of the following, as applicable, whether paid or deferred: director annual retainer; standing committee (1) meeting fees; other meeting fees; and the annual standing committee chair and Lead Independent Director retainers.

Represents the aggregate grant date fair value of RSUs, computed in accordance with Accounting Standards Codification issued by the Financial Accounting Standards Board, Topic 718, labeled “Compensation – Stock Compensation” (“ASC Topic 718”) disregarding any estimates of forfeitures related to service-based vesting conditions. Such values do not reflect whether the recipient has actually realized a financial benefit from the award. (2) For information on the assumptions used to calculate the value of the awards, refer to Financial Note 6 of the Company’s consolidated financial statements in its Annual Report on Form 10-K for the fiscal year ended March 31, 2014, as filed with the SEC on May 14, 2014. For awards that are not subject to performance conditions, such as those provided to directors, the maximum award level would not result in an award greater than what is disclosed in the table above.

Represents the amount of above-market interest earned under the Company’s Deferred Compensation Administration Plans and above-market interest credited on undistributed dividend equivalents. As defined by the (3) SEC, above-market interest is any amount over 120% of the long-term applicable federal rate as published by the IRS. A discussion of the Company’s Deferred Compensation Administration Plans is provided below in the subsection titled “Narrative Disclosure to the 2014 Nonqualified Deferred Compensation Table.”

(4)

For Mr. Budd and Dr. Shaw, represents the amount of donations and matching charitable contributions provided by the McKesson Foundation.

Corporate Governance

The Board is committed to, and for many years has adhered to, sound and effective corporate governance practices. In addition to its routine monitoring of best practices, at least annually the Board and its committees review the Company's current corporate governance practices, the corporate governance environment and current trends, and update their written charters as necessary. The Board diligently exercises its oversight responsibilities with respect to the Company's business and affairs consistent with the highest principles of business ethics, and in order to meet the corporate governance requirements of both federal law and the NYSE.

You can access the following governance materials on our website at www.mckesson.com under the caption "Investors – Corporate Governance."

- Certificate of Incorporation
- By-Laws
- Corporate Governance Guidelines
- Committee Charters
- Director Independence Standards
- Code of Conduct

- 2014 Proxy Statement **14**

[Back to Contents](#)

Key Governance Attributes

The Board actively seeks input from our shareholders and is committed to continuous monitoring of sound and effective governance practices.

Below are highlights of some of our key governance attributes.

** Reflects governance changes adopted or enhanced in the last year.*

Commitment to Proxy Access in 2015

The Board strives to maintain and adopt industry-leading governance best practices. In June 2014, the Company announced its plans to submit a proxy access by-law amendment at the 2015 Annual Meeting of Stockholders. If approved, proxy access would allow eligible shareholders to place their own director nominees on the Company's proxy card, along with the candidates nominated by the Board. The anticipated by-law amendment, if approved by McKesson's shareholders at the 2015 Annual Meeting, would specify a three-percent/three-year holding requirement for eligibility. It would further provide that an individual or group of shareholders who meets the eligibility threshold, and who complies with specified procedural and disclosure requirements, could include in McKesson's proxy materials shareholder-nominated director candidates to fill up to 20% of the available board seats.

Shareholder Right to Call a Special Meeting

Recognizing the interest of a number of shareholders in being able to take action between annual meetings, and having considered the alternative processes for achieving that result, the Board, in January 2013, adopted amendments to the Company's By-Laws, which were approved by the shareholders at the 2013 Annual Meeting of Stockholders. The 2013 amendments to the By-Laws permit shareholders who meet certain requirements to call a special meeting of shareholders. Specifically, record holders who have held a net long position of at least 25% of the outstanding shares of common stock of the Company for at least one year will be able to call a special meeting. This important expansion of shareholder rights empowers our shareholders to act between annual meetings and enhances their ability to participate in issues vital to the Company.

Elimination of Supermajority Voting Requirements

In 2011, the Board recommended, and the shareholders approved, amendments to the Company's Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation") and, in effect, the By-Laws to eliminate the Company's shareholder supermajority voting requirements. Specifically, the Company replaced the supermajority voting requirement with a majority of shares outstanding standard for the following actions: (i) amendment of the By-Laws and (ii) amendment of the Certificate of Incorporation in any manner that would adversely affect holders of Series A Junior Participating Preferred Stock. In addition, the supermajority voting provisions and associated "fair price" provisions applicable to certain business combinations were eliminated from the Certificate of Incorporation altogether.

Majority Voting Standard for Election of Directors

The By-Laws provide for a majority voting standard for the election of directors. This standard states that in uncontested director elections, a director nominee will be elected only if the number of votes cast "for" the nominee exceeds the number of votes cast "against" that nominee. To address the "holdover" director situation in which, under Delaware law, a director remains on the Board until his or her successor is elected and qualified, the By-Laws require each director nominee to submit an irrevocable resignation in advance of the shareholder vote. The resignation would be contingent

[Back to Contents](#)

upon both the nominee not receiving the required vote for reelection and acceptance of the resignation by the Board pursuant to its policies. Absent a determination by the Board that it is in the best interests of the Company for an unsuccessful incumbent to remain on the Board, the Board shall accept the resignation. In addition, the Company must file a current report on Form 8-K with the SEC within four business days after the Board's acceptance or rejection of the resignation, which must include an explanation of the reasons for any rejection of the tendered resignation.

Corporate Governance Guidelines

The Board has long adhered to directorship practices designed to ensure effective corporate governance. The Board approved revised Corporate Governance Guidelines in January 2013 to provide for a Lead Independent Director, and again in October 2013 to enhance the duties and power of the Lead Independent Director. In May 2013, the independent directors of the Board elected Mr. Mueller to serve a two-year term as the Board's first Lead Independent Director, effective July 31, 2013, subject to his continuing reelection and status as an independent director.

Consistent with NYSE listing requirements, the McKesson Corporation Corporate Governance Guidelines address various governance matters, including, among others: director qualification standards and the director nomination process; shareholder communications with directors; director responsibilities; selection and role of the Lead Independent Director; director access to management and, as necessary and appropriate, independent advisors; director compensation; director stock ownership guidelines; director orientation and continuing education; management succession; and an annual performance evaluation of the Board. The Governance Committee is responsible for overseeing the guidelines and at least annually assesses the need for any amendments to the guidelines to reflect corporate governance best practices, as necessary or appropriate. Our Corporate Governance Guidelines can be found on the Company's website at www.mckesson.com under the caption "Investors – Corporate Governance."

Director Independence

Under the Company's Corporate Governance Guidelines, the Board must have a substantial majority of directors who meet the applicable criteria for independence required by the NYSE. The Board must determine, based on all relevant facts and circumstances, whether in its business judgment, each director satisfies the criteria for independence, including the absence of a material relationship with the Company, either directly or indirectly. Consistent with the continued listing requirements of the NYSE, the Board has established standards to assist it in making a determination of director independence. A director will not be considered independent if:

- The director is, or has been within the last three years, an employee of the Company, or an immediate family member is, or has been within the last three years, an executive officer of the Company.
- The director has received, or has an immediate family member who has received, during any 12-month period within the last three years, more than \$120,000 in direct compensation from the Company, other than director and

committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service).

(A) The director is a current partner or employee of a firm that is the Company's internal or external auditor; (B) the director has an immediate family member who is a current partner of such a firm; (C) the director has an immediate family member who is a current employee of such a firm and personally works on the Company's audit; or (D) the director or an immediate family member was within the last three years a partner or employee of such a firm and personally worked on the Company's audit within that time.

The director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of the Company's present executive officers at the same time serves or served on that company's compensation committee.

The director is an executive officer or an employee, or whose immediate family member is an executive officer, of another company (A) which in any of the last three years accounted for at least 2.0% of the Company's consolidated gross revenues, or (B) for which in any such year the Company accounted for at least 2.0% or \$1,000,000, whichever is greater, of such other company's consolidated gross revenues.

The director is, or has been within the last three years, an executive officer of another company that is indebted to the Company, or to which the Company is indebted, and the total amount of either company's indebtedness to the other is more than 2.0% of the respective company's total assets measured as of the last completed fiscal year.

The director serves, or served within the last three years, as an executive officer, director or trustee of a charitable organization, and the Company's discretionary charitable contributions in any single fiscal year exceeded the greater of \$1,000,000 or 2.0% of that organization's total annual charitable receipts. (The Company's matching of employee charitable contributions will not be included in the amount of the Company's contributions for this purpose.)

For relationships not covered by the guidelines above, or for relationships that are covered, but as to which the Board believes a director may nonetheless be independent, the determination of independence shall be made by the directors who satisfy the NYSE independence rules and the guidelines set forth above. However, any determination of independence for a director who does not meet these standards must be specifically explained in the Company's proxy statement.

[Back to Contents](#)

These standards can also be found on the Company's website at *www.mckesson.com* under the caption "Investors – Corporate Governance." Provided that no relationship or transaction exists that would disqualify a director under these standards, and no other relationship or transaction exists of a type not specifically mentioned in these standards that, in the Board's opinion, taking into account all relevant facts and circumstances, would impair a director's ability to exercise his or her independent judgment, the Board will deem such person to be independent. Applying these standards, and all applicable laws, rules or regulations, the Board has determined that, with the exception of John H. Hammergren, all of the current directors, namely Andy D. Bryant, Wayne A. Budd, N. Anthony Coles, Alton F. Irby III, M. Christine Jacobs, Marie L. Knowles, David M. Lawrence, Edward A. Mueller and Jane E. Shaw, are independent.

Board Leadership Structure

The Board periodically reviews the appropriateness and effectiveness of its leadership structure, and in January 2013, the Board approved amendments to the Company's Corporate Governance Guidelines to provide for a Lead Independent Director whenever the Chairman is not an independent director. In addition, the Board approved amendments to the Company's Corporate Governance Guidelines in October 2013 to provide for additional duties and powers of the Lead Independent Director. Mr. Mueller has served as the Board's first Lead Independent Director since July 2013, and he will serve a two-year term, subject to his continuing reelection and status as an independent director. The Lead Independent Director's duties and powers include, but are not limited to, the following:

- preside at all meetings of the Board at which the Chairman is not present, including executive sessions of the independent directors;
- serve as liaison between the Chairman and the independent directors;
- approve information sent to the Board;
- approve meeting agendas for the Board;
- approve meeting schedules to assure that there is sufficient time for discussion of all agenda items;
- call meetings of the independent directors, as appropriate;
- if requested by major shareholders, ensure that he or she is available for consultations and direct communication;
- lead the Board's annual evaluation of directors and the CEO;
- lead the Board's annual evaluation of the CEO succession process, carry out the responsibilities of the Lead Independent Director specified in the Company's CEO Absence Event Management Process, and upon the occurrence of a temporary or permanent incapacity or disability or other similar temporary or permanent absence of

the Chairman, assume the day-to-day duties and authorities of the Chairman on an interim basis;

- recommend to the Governance Committee membership of various Board committees, as well as selection of committee chairs;

- retain, or recommend retention of, independent legal, accounting, consulting and other advisors; and

- assist in assuring compliance with, and implementation of, the Corporate Governance Guidelines.

Mr. Hammergren serves as our Chairman and CEO. The Company does not have a policy regarding whether the Chairman and CEO roles should be combined or separated. Rather, the Company's Corporate Governance Guidelines retain flexibility for the Board to choose its Chairman in any way that it deems best for the Company at any given time. Although the Company has in the past separated the roles of Chairman and CEO, the Board believes that having Mr. Hammergren serve as both Chairman and CEO, coupled with strong independent director leadership, which has been enhanced by establishing a Lead Independent Director with robust powers and duties, is the most appropriate and effective Board leadership structure for the Company at this time.

[Back to Contents](#)

A number of factors support the current leadership structure. Mr. Hammergren has over 30 years of experience in the healthcare industry, and has served as the Chairman and CEO of the Company for more than 11 years. The Board believes that Mr. Hammergren's in-depth knowledge of the healthcare industry and of the complex businesses and operations of the Company best equips him to lead Board meetings as the directors discuss key business and strategic matters and best equips him to focus the Board on the most critical issues. The current combined Chairman and CEO structure has promoted decisive leadership, ensured clear accountability and enhanced our ability to communicate with a single and consistent voice to shareholders, customers, employees and other stakeholders. During the time Mr. Hammergren has served as both Chairman and CEO, the Company has achieved outstanding financial results as displayed in the Compensation Discussion and Analysis below.

In addition, the Board believes that other aspects of the current leadership structure, and the enhancement of that structure by institution and enhancement of the role of the Lead Independent Director, together with the principles and practices described in the Corporate Governance Guidelines, ensure effective independent Board leadership and oversight of management. As a matter of practice, the Chairman regularly elicits input from all of the independent directors as to the matters they would like covered at the meetings and the information they would find most helpful in their deliberations and decision-making. Strong independent director leadership is also enhanced by the fact that all of the Board's standing committees are composed solely of, and chaired by, independent directors.

The Board's role in risk oversight is discussed in greater detail below; however, with respect to the Board's leadership structure, the Board believes that the current structure is consistent with, and indeed enhances the effectiveness of, its risk oversight role. In short, Mr. Hammergren's extensive management experience and in-depth knowledge of the healthcare industry and of the complex businesses and operations of the Company, as discussed above, also assist the Board in understanding the risks facing the Company and, therefore, in more effectively performing its risk oversight function.

In sum, the Company's existing Board leadership structure strikes an effective balance between strong, strategically advantageous Chairman and CEO leadership, and appropriate oversight of management provided by strong independent directors and a Lead Independent Director. The combined Chairman and CEO structure has served the Company and its shareholders well, and remains the most appropriate leadership structure for the Company at this time.

Director Stock Ownership Guidelines

Our Board believes that directors should hold a meaningful equity stake in McKesson. To that end, by the terms of our Director Stock Ownership Guidelines, directors are expected to own shares or share equivalents of the Company's common stock with a value not less than four times the annual board retainer within three years of joining our Board. We believe these terms serve the important purpose of aligning our directors' economic interests with those of the shareholders. As of June 2, 2014, all of our directors were in compliance with the Director Stock Ownership Guidelines, except for Dr. Coles who was recently elected to the Board and has three years from his election to meet the guidelines.

Our independent director nominees beneficially own substantial stakes in the Company.

Director Equity Ownership Value (as of June 2, 2014)

Succession Planning

In accordance with our Corporate Governance Guidelines, the Board is responsible for approving and maintaining a succession plan for the CEO and other executive officers. To assist the Board with this requirement, the Company's Executive Vice President, Human Resources annually facilitates the Board of Directors' discussion of CEO and senior management succession. This meeting is held in an executive session of the full Board, with the Executive Vice President, Human Resources present. The annual review includes an evaluation of the requirements for the CEO and each senior management position, and an examination of potential permanent and interim candidates for CEO and senior management positions. With respect to CEO succession, the Lead Independent Director has responsibility for leading the annual evaluation process. In order to minimize disruption

- 2014 Proxy Statement 18

[Back to Contents](#)

in the operations of the Company in the event of a temporary or permanent absence of the CEO, including in emergency situations, the Board adopted a CEO Absence Event Management Process. This process establishes clear procedures for planning for and responding to a CEO absence event, while maintaining the Board's ability to exercise its judgment and discretion in such event, including with regard to the selection of an interim or permanent replacement CEO.

Executive Sessions of the Board

The independent directors of the Board meet in executive session without members of management present on a regularly scheduled basis. The Lead Independent Director presides at such executive sessions. Currently, the Lead Independent Director establishes the agenda for each executive session and also determines which, if any, other individuals, including members of management and independent advisors, should attend each such meeting. The Lead Independent Director also, in collaboration with the Chairman and the Secretary, approves the agenda and Board information in advance of the Board of Directors' meetings, among other duties and powers described in more detail above, under the section titled "Board Leadership Structure".

Code of Conduct

The Company is committed to the highest standards of ethical and professional conduct. In June 2013, the Company amended its Code of Conduct, substantially re-writing it to simplify the language of the Code to make it easier to read and to update the Code to reflect changes in the business. The Code of Conduct applies to all employees, officers and directors, and describes fundamental principles, policies and procedures that shape our work and is designed to help our employees, officers and directors make ethical decisions. The Code is available on the Company's website at www.mckesson.com under the caption "Investors – Corporate Governance." The Company intends to post on its website any amendment to, or waiver from, the Code that applies to our CEO, Chief Financial Officer, Controller and persons performing similar functions within four business days after any such amendment or waiver.

Related Party Transactions Policy

The Company has a written Related Party Transactions Policy requiring approval or ratification of certain transactions involving executive officers, directors and nominees for director, beneficial owners of more than 5% of the Company's common stock, and immediate family members of any such persons where the amount involved exceeds \$100,000. Under the policy, the Company's General Counsel initially determines if a transaction or relationship constitutes a transaction that requires compliance with the policy or disclosure. If so, the matter will be referred to the CEO for consideration with the General Counsel as to approval or ratification in the case of other executive officers and/or their immediate family members, or to the Governance Committee in the case of transactions involving directors, nominees for director, the General Counsel, the CEO or holders of more than 5% of the Company's common stock and/or their immediate family members. Annually directors, nominees and executive officers are asked to identify any transactions

that might fall under the policy as well as identify immediate family members. Additionally, they are required to notify the General Counsel promptly of any proposed related party transaction. The policy is administered by the Governance Committee. The transaction may be ratified or approved if it is fair and reasonable to the Company and consistent with its best interests. Factors that may be taken into account in making that determination include: (i) the business purpose of the transaction; (ii) whether it is entered into on an arms-length basis; (iii) whether it would impair the independence of a director; and (iv) whether it would violate the provisions of the Company's Code of Conduct.

The Company and its subsidiaries may, in the ordinary course of business, have transactions involving more than \$100,000 with unaffiliated companies of which certain of the Company's directors are directors and/or executive officers. Therefore, under the policy, the Governance Committee reviews such transactions. However, the Company does not consider the amounts involved in such transactions to be material in relation to its businesses, the businesses of such other companies or the interests of the directors involved. In addition, the Company believes that such transactions are on the same terms generally offered by such other companies to other entities in comparable transactions.

Board of Directors' Role in Risk Oversight

The Company's management is responsible for the day-to-day management of the risks facing the Company, including macroeconomic, financial, strategic, operational, public reporting, legal, regulatory, political, compliance, and reputational risks. Management carries out this risk management responsibility through a coordinated effort among the various risk management functions within the Company.

Under our By-Laws and Corporate Governance Guidelines, the Board has responsibility for overseeing the business and affairs of the Company. This general oversight responsibility includes oversight of risk management, which the Board carries out as a whole or through its committees. Among other things, the Board as a whole periodically reviews the Company's enterprise risk management processes for identifying, ranking and assessing risks across the organization, as well as the output of that process. The Board as a whole also receives periodic reports from the Company's management on various risks, including risks facing the Company's businesses. Although the Board has ultimate responsibility for overseeing risk management, it has delegated to its committees certain oversight responsibilities. For example, in accordance with its charter, the Audit Committee engages in ongoing discussions

[Back to Contents](#)

regarding major financial risk exposures and the process and system employed to monitor and control such exposures. In addition, consistent with its charter, the Audit Committee engages in periodic discussions with management concerning the process by which risk assessment and management are undertaken. In carrying out these responsibilities, the Audit Committee, among other things, regularly reviews with the head of Internal Audit and other senior members of Internal Audit, the audits or assessments of significant risks conducted by Internal Audit personnel based on their audit plan; and the committee regularly meets in executive sessions with the head of Internal Audit. The Audit Committee also regularly reviews with the Controller the Company's internal control over financial reporting, including any significant deficiencies. As part of the reviews involving Internal Audit and the Controller, the Audit Committee reviews steps taken by management to monitor, control and mitigate risks. The Audit Committee also regularly reviews with the General Counsel and Chief Compliance Officer significant legal, regulatory, and compliance matters that could have a material impact on the Company's financial statements or business. Finally, from time to time, executives who are responsible for managing a particular risk report to the Audit Committee on how the risk is being controlled and mitigated.

The Board has also delegated to other committees the responsibility to oversee risk within their areas of responsibility and expertise. For example, the Finance Committee exercises oversight with regard to the risk assessment and management processes related to, among other things, credit, capital structure, liquidity, insurance programs and the Company's retirement and 401(k) plans. As noted in the section below titled "Risk Assessment of Compensation Policies and Practices," the Compensation Committee oversees risk assessment and management with respect to the Company's compensation policies and practices.

In those cases in which committees have risk oversight responsibilities, the chairs of the committees regularly report to the full Board the significant risks facing the Company, as identified by management, and the measures undertaken by management for controlling and mitigating those risks.

Risk Assessment of Compensation Policies and Practices

We annually conduct a review of all incentive compensation plans utilized throughout the Company, using a framework for risk assessment provided to us by a nationally recognized outside compensation advisor. In conducting our review, a detailed assessment of each incentive compensation plan, without regard to materiality, is first prepared by representatives from the Company's business units and then reviewed by senior executives of our Human Resources Department. The review framework requires representatives of our business units to examine and report on the presence of certain design elements under both cash and equity incentive compensation plans that could encourage our employees to incur excessive risk, such as the selection and documentation of incentive metrics, the ratio of incentive to fixed compensation, the year-over-year variability in payouts, the amount of management discretion, and the percentage of compensation expense as compared to the business units' revenues. Consistent with our findings in past years, management concluded that for FY 2014 our policies and practices do not create risks that are reasonably likely to have a material adverse effect on the Company. A summary of management's findings was reviewed with the Compensation Committee at its May 2014 meeting.

The Compensation Committee discussed management's findings, and considered that the Company utilizes many design features that mitigate the likelihood of encouraging excessive risk-taking behavior. Among these design features are:

- Multiple metrics across the entire enterprise that balance top-line, bottom-line and cash management objectives;
- Linear payout curves, performance thresholds and caps;
- Reasonable goals and objectives, which are well-defined and communicated;
- Strong compensation recoupment ("clawback") policy pertaining to all incentives;
- Modification of payouts based upon individual performance, including assessments against our "ICARE" principles (integrity, customer first, accountability, respect and excellence); and
- Training on our Code of Conduct and other policies that educate our employees on appropriate behaviors and the consequences of taking inappropriate actions.

In addition, our incentives for senior management feature the following:

- Balance of short- and long-term variable compensation tied to a mix of financial and operational objectives and the long-term value of our stock;
- The Compensation Committee's ability to exercise downward discretion in determining payouts; and
- Rigorous stock ownership and retention guidelines.

Based on the foregoing, the Compensation Committee concurred with management that our compensation policies and practices do not create inappropriate or unintended significant risk to the Company as a whole. We believe that our incentive compensation plans do not provide incentives that encourage risk-taking beyond the organization's ability to effectively identify and manage significant risks, are compatible with effective internal controls and the risk management practices of the Company, and are supported by the oversight and administration of the Compensation Committee with regard to our executive compensation program.

[Back to Contents](#)

Communications with Directors

Shareholders and other interested parties may communicate with the Lead Independent Director, the non-management directors, or any of the directors by addressing their correspondence to the Board member or members, c/o the Corporate Secretary's Department, McKesson Corporation, One Post Street, 35th Floor, San Francisco, California 94104, or via e-mail to leaddirector@mckesson.com or to nonmanagementdirectors@mckesson.com. The Board has instructed the Secretary, prior to forwarding any correspondence, to review such correspondence and, in his discretion, not to forward certain items if they are irrelevant to or inconsistent with the Company's operations, policies and philosophies, are deemed of a commercial or frivolous nature, or are otherwise deemed inappropriate for the Board's consideration. The Corporate Secretary's Department maintains a log of correspondence received by the Company that is addressed to members of the Board, other than advertisements, solicitations or correspondence deemed by the Secretary to be junk mail, of a frivolous nature, or otherwise not appropriate to retain. Members of the Board may review the log at any time, and request copies of any correspondence received.

Indemnity Agreements

The Company has entered into separate indemnity agreements with its directors and executive officers that provide for defense and indemnification against any judgment or costs assessed against them in the course of their service. Such agreements do not, however, permit indemnification for acts or omissions for which indemnification is not permitted under Delaware law.

- 2014 Proxy Statement 21

[Back to Contents](#)**ITEM 2.** Ratification of Appointment of Deloitte & Touche LLP as the Company's Independent Registered Public Accounting Firm for Fiscal Year 2015**Your Board recommends a vote “FOR” this ratification proposal.**

The Audit Committee of the Company's Board of Directors has approved Deloitte & Touche LLP (“D&T”) as the Company's independent registered public accounting firm to audit the consolidated financial statements of the Company and its subsidiaries for the fiscal year ending March 31, 2015. D&T is knowledgeable about the Company's operations and accounting practices, and is well qualified to act as the Company's independent registered public accounting firm.

We are asking our shareholders to ratify the selection of D&T as the Company's independent registered public accounting firm. Although ratification is not required by our By-Laws or otherwise, the Board is submitting the selection of D&T to our shareholders for ratification as a matter of good corporate practice. If shareholders fail to ratify the selection, the Audit Committee will reconsider whether or not to retain D&T. Even if the selection is ratified, the Audit Committee in its discretion may select a different registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and our shareholders. Representatives of D&T are expected to be present at the Annual Meeting to respond to appropriate questions and to make a statement if they desire to do so. For the fiscal years ended March 31, 2014 and 2013, professional services were performed by D&T, the member firms of Deloitte Touche Tohmatsu, and their respective affiliates (collectively, “Deloitte & Touche”), which includes Deloitte Consulting. Fees paid for those years were as follows:

	FY2014	FY2013
Audit Fees	\$11,059,785	\$8,464,733
Audit-Related Fees	5,861,759	3,036,767
TOTAL AUDIT AND AUDIT-RELATED FEES	16,921,544	11,501,500
Tax Fees	1,522,950	30,000
All Other Fees	—	—
TOTAL	\$18,444,494	\$11,531,500

Audit Fees. This category consists of fees billed for professional services rendered for the audit of the Company's consolidated annual financial statements, the audit of the Company's internal control over financial reporting as required by the Sarbanes-Oxley Act of 2002, review of the interim consolidated financial statements included in quarterly reports and services that are normally provided by D&T in connection with statutory and regulatory filings or engagements. This category also includes advice on accounting matters that arose during, or as a result of, the audit or the review of interim financial statements, foreign statutory audits required by non-U.S. jurisdictions, registration statements and comfort letters. The increase in the fiscal year ended March 31, 2014 is primarily related to the acquisition of Celesio AG (“Celesio”).

Audit-Related Fees. This category consists of fees billed for professional services rendered in connection with the performance of an audit or reviews of the Company's consolidated financial statements and is not reported under "Audit Fees." This includes fees for employee benefit plan audits, accounting consultations, due diligence in connection with mergers and acquisitions, attest services related to financial reporting that are not required by statute or regulation, and consultations concerning financial accounting and reporting standards. The increase in the fiscal year ended March 31, 2014 is primarily related to the acquisition of Celesio.

Tax Fees. This category consists of fees billed for professional services rendered for U.S. and international tax compliance, including services related to the preparation of tax returns and professional services. The increase in the fiscal year ended March 31, 2014 is primarily related to multi-year research and development credit preparation and assistance with an examination of prior years' research and development tax credits. For the fiscal years ended March 31, 2014 and 2013, no amounts were incurred by the Company for tax advice, planning or consulting services.

All Other Fees. This category consists of fees for products and services other than the services reported above. The Company paid no fees in this category for the fiscal years ended March 31, 2014 and 2013.

[Back to Contents](#)

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm

Pursuant to the Applicable Rules, and as set forth in the terms of its charter, the Audit Committee has sole responsibility for appointing, setting compensation for, and overseeing the work of the independent registered public accounting firm. The Audit Committee has established a policy that requires it to pre-approve all audit and permissible non-audit services, including audit-related and tax services, to be provided by Deloitte & Touche. Between meetings, the Chair of the Audit Committee is authorized to pre-approve services, which are reported to the committee at its next meeting. All of the services described in the fee table above were approved in conformity with the Audit Committee's pre-approval process.

Audit Committee Report

The Audit Committee of the Company's Board of Directors assists the Board in fulfilling its responsibility for oversight of the quality and integrity of the Company's financial reporting processes. The functions of the Audit Committee are described in greater detail in the Audit Committee's written charter adopted by the Company's Board of Directors, which may be found on the Company's website at www.mckesson.com under the caption "Investors – Corporate Governance." The Audit Committee is composed exclusively of directors who are independent under the applicable SEC and NYSE rules and the Company's independence standards. The Audit Committee's members are not professionally engaged in the practice of accounting or auditing, and they necessarily rely on the work and assurances of the Company's management and the independent registered public accounting firm. Management has the primary responsibility for the financial statements and the reporting process, including the system of internal control over financial reporting. The independent registered public accounting firm of Deloitte & Touche LLP ("D&T") is responsible for performing an independent audit of the Company's consolidated financial statements in accordance with generally accepted auditing standards and expressing opinions on the conformity of those audited financial statements with United States generally accepted accounting principles and the effectiveness of the Company's internal control over financial reporting. The Audit Committee has: (i) reviewed and discussed with management the Company's audited financial statements for the fiscal year ended March 31, 2014; (ii) discussed with D&T the matters required to be discussed by the Public Company Accounting Oversight Board ("PCAOB") standards; (iii) received the written disclosures and the letter from D&T required by applicable requirements of the PCAOB regarding D&T's communications with the Audit Committee concerning independence; and (iv) discussed with D&T its independence from the Company. The Audit Committee further considered whether the provision of non-audit related services by D&T to the Company is compatible with maintaining the independence of that firm from the Company. The Audit Committee has also discussed with management of the Company and D&T such other matters and received such assurances from them as it deemed appropriate.

The Audit Committee discussed with the Company's internal auditors and D&T the overall scope and plans for their respective audits. The Audit Committee meets regularly with the internal auditors and D&T, with and without management present, to discuss the results of their examinations, the evaluation of the Company's internal control over financial reporting and the overall quality of the Company's accounting.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors, and the Board has approved, that the audited financial statements for the fiscal year ended March 31, 2014 be included in the Company's Annual Report on Form 10-K for filing with the SEC.

Audit Committee of the Board of Directors

Marie L. Knowles, *Chair*

Andy D. Bryant

Wayne A. Budd

Alton F. Irby III

- 2014 Proxy Statement 23

[Back to Contents](#)**PRINCIPAL SHAREHOLDERS****Security Ownership of Certain Beneficial Owners**

The following table sets forth information regarding ownership of the Company's outstanding common stock by any entity or person, to the extent known by us or ascertainable from public filings, that is the beneficial owner of more than 5% of the outstanding shares of common stock:

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class*
T. Rowe Price Associates, Inc. 100 E. Pratt Street Baltimore, Maryland 21202	20,053,244 ⁽¹⁾	8.7 %
BlackRock, Inc. 40 East 52 nd Street New York, New York 10022	14,943,838 ⁽²⁾	6.5 %
Wellington Management Company, LLP 280 Congress Street Boston, Massachusetts 02210	12,542,928 ⁽³⁾	5.4 %
FMR LLC and Edward C. Johnson 3d 82 Devonshire Street Boston, Massachusetts 02210	12,133,027 ⁽⁴⁾	5.2 %

* Based on 231,592,678 shares of common stock outstanding as of June 2, 2014.

This information is based upon a Schedule 13G/A filed with the SEC on February 10, 2014 by T. Rowe Price Associates, Inc. ("Price Associates"), which reports sole voting power with respect to 6,678,579 shares, sole dispositive power with respect to 20,053,244 shares, and an aggregate beneficial ownership of 20,053,244 shares.

(1) These securities are owned by various individual and institutional investors for which Price Associates serves as investment advisor with power to direct investments and/or sole power to vote the securities. For purposes of the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), Price Associates is deemed to be a beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities.

This information is based upon a Schedule 13G/A filed with the SEC on January 30, 2014 by BlackRock, Inc., which reports sole voting power with respect to 11,971,264 shares and sole dispositive power with respect to 14,943,838 shares as a result of being a parent company or control person of the following subsidiaries, each of which holds less than 5% of the outstanding shares: BlackRock Advisors, LLC, BlackRock Capital Management, Inc., BlackRock Financial Management, Inc., BlackRock Investment Management, LLC, BlackRock Investment Management (Australia) Limited, BlackRock (Luxembourg) S.A., BlackRock (Netherlands) B.V., BlackRock Fund Managers Limited, BlackRock Life Limited, BlackRock Asset Management Australia Limited, BlackRock Asset Management Canada Limited, BlackRock Asset Management Ireland Limited, BlackRock (Singapore) Limited, BlackRock Advisors (UK) Limited, BlackRock Fund Advisors, BlackRock International Limited, BlackRock Institutional Trust Company, N.A., BlackRock Japan Co. Ltd., and BlackRock Investment Management (UK) Limited.

Edgar Filing: MCKESSON CORP - Form DEF 14A

This information is based upon a Schedule 13G/A filed with the SEC on February 14, 2014 by Wellington (3) Management Company, LLP, which reports shared voting power with respect to 2,787,458 shares and shared dispositive power with respect to 12,542,928 shares.

This information is based upon a Schedule 13G filed with the SEC on February 14, 2014 by FRM LLC and (4) Edward C. Johnson 3d, which reports sole voting power with respect to 1,518,817 shares and sole dispositive power with respect to 12,113,027 shares.

- 2014 Proxy Statement 24

[Back to Contents](#)

Security Ownership of Dire