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

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

**For the quarterly period ended September 30, 2023**

**OR**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File Number: 1-13252**

**MCKESSON**

**McKESSON CORPORATION**  
**(Exact name of registrant as specified in its charter)**

**Delaware**  
**(State or other jurisdiction  
of incorporation or organization)**

**94-3207296**  
**(I.R.S. Employer  
Identification No.)**

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

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

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

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

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 133,062,485 shares of the issuer's common stock were outstanding as of September 30, 2023.

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## McKESSON CORPORATION

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**McKESSON CORPORATION**  
**PART I—FINANCIAL INFORMATION**

**Item 1. Condensed Consolidated Financial Statements.**

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

	<b>Three Months Ended September 30,</b>		<b>Six Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Revenues	\$ 77,215	\$ 70,157	\$ 151,698	\$ 137,311
Cost of sales	(74,146)	(67,062)	(145,607)	(131,193)
Gross profit	3,069	3,095	6,091	6,118
Selling, distribution, general, and administrative expenses	(2,092)	(1,950)	(3,962)	(3,909)
Claims and litigation charges, net	2	9	2	4
Restructuring, impairment, and related charges, net	(28)	(30)	(80)	(53)
Total operating expenses	(2,118)	(1,971)	(4,040)	(3,958)
Operating income	951	1,124	2,051	2,160
Other income, net	26	175	64	190
Interest expense	(61)	(55)	(108)	(100)
Income from continuing operations before income taxes	916	1,244	2,007	2,250
Income tax expense	(213)	(271)	(307)	(470)
Income from continuing operations	703	973	1,700	1,780
Loss from discontinued operations, net of tax	—	(6)	—	(4)
Net income	703	967	1,700	1,776
Net income attributable to noncontrolling interests	(39)	(41)	(78)	(82)
Net income attributable to McKesson Corporation	<u>\$ 664</u>	<u>\$ 926</u>	<u>\$ 1,622</u>	<u>\$ 1,694</u>
Earnings (loss) per common share attributable to McKesson Corporation				
Diluted				
Continuing operations	\$ 4.92	\$ 6.46	\$ 11.95	\$ 11.71
Discontinued operations	—	(0.04)	—	(0.03)
Total	<u>\$ 4.92</u>	<u>\$ 6.42</u>	<u>\$ 11.95</u>	<u>\$ 11.68</u>
Basic				
Continuing operations	\$ 4.95	\$ 6.51	\$ 12.03	\$ 11.81
Discontinued operations	—	(0.04)	—	(0.02)
Total	<u>\$ 4.95</u>	<u>\$ 6.47</u>	<u>\$ 12.03</u>	<u>\$ 11.79</u>
Weighted-average common shares outstanding				
Diluted	134.8	144.1	135.7	145.0
Basic	134.1	143.1	134.8	143.7

See Financial Notes

**McKESSON CORPORATION**
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**(In millions)**
**(Unaudited)**

	<b>Three Months Ended September 30,</b>		<b>Six Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Net income	\$ 703	\$ 967	\$ 1,700	\$ 1,776
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments	(64)	(192)	(12)	390
Unrealized gains on cash flow and other hedges	25	18	32	36
Changes in retirement-related benefit plans	—	2	(2)	38
Other comprehensive income (loss), net of tax	(39)	(172)	18	464
Comprehensive income	664	795	1,718	2,240
Comprehensive income attributable to noncontrolling interests	(39)	(35)	(78)	(126)
Comprehensive income attributable to McKesson Corporation	<u>\$ 625</u>	<u>\$ 760</u>	<u>\$ 1,640</u>	<u>\$ 2,114</u>

*See Financial Notes*

**McKESSON CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In millions, except per share amounts)  
(Unaudited)

	September 30, 2023	March 31, 2023
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 2,524	\$ 4,678
Receivables, net	22,494	19,410
Inventories, net	21,945	19,691
Prepaid expenses and other	568	513
Total current assets	47,531	44,292
Property, plant, and equipment, net	2,171	2,177
Operating lease right-of-use assets	1,680	1,635
Goodwill	9,934	9,947
Intangible assets, net	2,142	2,277
Other non-current assets	2,633	1,992
Total assets	<u>\$ 66,091</u>	<u>\$ 62,320</u>
<b>LIABILITIES AND DEFICIT</b>		
Current liabilities		
Drafts and accounts payable	\$ 46,795	\$ 42,490
Current portion of long-term debt	49	968
Current portion of operating lease liabilities	296	299
Other accrued liabilities	4,007	4,200
Total current liabilities	51,147	47,957
Long-term debt	5,535	4,626
Long-term deferred tax liabilities	1,112	1,387
Long-term operating lease liabilities	1,436	1,402
Long-term litigation liabilities	6,128	6,625
Other non-current liabilities	2,197	1,813
McKesson Corporation stockholders' deficit		
Preferred stock, \$0.01 par value, 100 shares authorized, no shares issued or outstanding	—	—
Common stock, \$0.01 par value, 800 shares authorized, 278 and 277 shares issued at September 30, 2023 and March 31, 2023, respectively	3	3
Additional paid-in capital	7,899	7,747
Retained earnings	13,761	12,295
Accumulated other comprehensive loss	(887)	(905)
Treasury shares, at cost, 145 and 141 shares at September 30, 2023 and March 31, 2023, respectively	(22,604)	(20,997)
Total McKesson Corporation stockholders' deficit	(1,828)	(1,857)
Noncontrolling interests	364	367
Total deficit	(1,464)	(1,490)
Total liabilities and deficit	<u>\$ 66,091</u>	<u>\$ 62,320</u>

*See Financial Notes*

**McKESSON CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT**  
(In millions, except per share amounts)  
(Unaudited)

**Three Months Ended September 30, 2023**

	<b>Common Stock</b>		<b>Additional Paid-in Capital</b>	<b>Retained Earnings</b>	<b>Accumulated Other Comprehensive Loss</b>	<b>Treasury</b>		<b>Noncontrolling Interests</b>	<b>Total Deficit</b>
	<b>Shares</b>	<b>Amount</b>				<b>Common Shares</b>	<b>Amount</b>		
<b>Balance, June 30, 2023</b>	278	\$ 3	\$ 7,824	\$ 13,182	\$ (848)	(143)	\$ (21,763)	\$ 362	\$ (1,240)
Issuance of shares under employee plans, net of forfeitures	—	—	27	—	—	—	(1)	—	26
Share-based compensation	—	—	48	—	—	—	—	—	48
Repurchase of common stock	—	—	—	—	—	(2)	(840)	—	(840)
Net income	—	—	—	664	—	—	—	39	703
Other comprehensive loss	—	—	—	—	(39)	—	—	—	(39)
Cash dividends declared, \$0.62 per common share	—	—	—	(84)	—	—	—	—	(84)
Payments to noncontrolling interests	—	—	—	—	—	—	—	(38)	(38)
Other	—	—	—	(1)	—	—	—	1	—
<b>Balance, September 30, 2023</b>	<u>278</u>	<u>\$ 3</u>	<u>\$ 7,899</u>	<u>\$ 13,761</u>	<u>\$ (887)</u>	<u>(145)</u>	<u>\$ (22,604)</u>	<u>\$ 364</u>	<u>\$ (1,464)</u>

**Three Months Ended September 30, 2022**

	<b>Common Stock</b>		<b>Additional Paid-in Capital</b>	<b>Retained Earnings</b>	<b>Accumulated Other Comprehensive Loss</b>	<b>Treasury</b>		<b>Noncontrolling Interests</b>	<b>Total Deficit</b>
	<b>Shares</b>	<b>Amount</b>				<b>Common Shares</b>	<b>Amount</b>		
<b>Balance, June 30, 2022</b>	277	\$ 3	\$ 7,350	\$ 9,732	\$ (948)	(133)	\$ (18,141)	\$ 532	\$ (1,472)
Issuance of shares under employee plans, net of forfeitures	—	—	36	—	—	—	(2)	—	34
Share-based compensation	—	—	46	—	—	—	—	—	46
Repurchase of common stock	—	—	177	—	—	(2)	(701)	—	(524)
Net income	—	—	—	926	—	—	—	41	967
Other comprehensive loss	—	—	—	—	(166)	—	—	(6)	(172)
Cash dividends declared, \$0.54 per common share	—	—	—	(78)	—	—	—	—	(78)
Payments to noncontrolling interests	—	—	—	—	—	—	—	(41)	(41)
Reclassification of recurring compensation to other accrued liabilities	—	—	—	—	—	—	—	(2)	(2)
Other	—	—	—	(1)	—	—	—	(6)	(7)
<b>Balance, September 30, 2022</b>	<u>277</u>	<u>\$ 3</u>	<u>\$ 7,609</u>	<u>\$ 10,579</u>	<u>\$ (1,114)</u>	<u>(135)</u>	<u>\$ (18,844)</u>	<u>\$ 518</u>	<u>\$ (1,249)</u>

*See Financial Notes*

**McKESSON CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT**  
(In millions, except per share amounts)  
(Unaudited)

Six Months Ended September 30, 2023									
	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury		Noncontrolling Interests	Total Deficit
	Shares	Amount				Common Shares	Amount		
<b>Balance, March 31, 2023</b>	277	\$ 3	\$ 7,747	\$ 12,295	\$ (905)	(141)	\$ (20,997)	\$ 367	\$ (1,490)
Issuance of shares under employee plans, net of forfeitures	1	—	54	—	—	—	(94)	—	(40)
Share-based compensation	—	—	91	—	—	—	—	—	91
Repurchase of common stock	—	—	—	—	—	(4)	(1,513)	—	(1,513)
Net income	—	—	—	1,622	—	—	—	78	1,700
Other comprehensive income	—	—	—	—	18	—	—	—	18
Cash dividends declared, \$1.16 per common share	—	—	—	(157)	—	—	—	—	(157)
Payments to noncontrolling interests	—	—	—	—	—	—	—	(77)	(77)
Other	—	—	7	1	—	—	—	(4)	4
<b>Balance, September 30, 2023</b>	<u>278</u>	<u>\$ 3</u>	<u>\$ 7,899</u>	<u>\$ 13,761</u>	<u>\$ (887)</u>	<u>(145)</u>	<u>\$ (22,604)</u>	<u>\$ 364</u>	<u>\$ (1,464)</u>

  

Six Months Ended September 30, 2022									
	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury		Noncontrolling Interests	Total Deficit
	Shares	Amount				Common Shares	Amount		
<b>Balance, March 31, 2022</b>	275	\$ 2	\$ 7,275	\$ 9,030	\$ (1,534)	(130)	\$ (17,045)	\$ 480	\$ (1,792)
Issuance of shares under employee plans, net of forfeitures	2	1	127	—	—	—	(154)	—	(26)
Share-based compensation	—	—	86	—	—	—	—	—	86
Repurchase of common stock	—	—	121	—	—	(5)	(1,645)	—	(1,524)
Net income	—	—	—	1,694	—	—	—	82	1,776
Other comprehensive income	—	—	—	—	420	—	—	44	464
Cash dividends declared, \$1.01 per common share	—	—	—	(145)	—	—	—	—	(145)
Payments to noncontrolling interests	—	—	—	—	—	—	—	(77)	(77)
Reclassification of recurring compensation to other accrued liabilities	—	—	—	—	—	—	—	(4)	(4)
Other	—	—	—	—	—	—	—	(7)	(7)
<b>Balance, September 30, 2022</b>	<u>277</u>	<u>\$ 3</u>	<u>\$ 7,609</u>	<u>\$ 10,579</u>	<u>\$ (1,114)</u>	<u>(135)</u>	<u>\$ (18,844)</u>	<u>\$ 518</u>	<u>\$ (1,249)</u>

See Financial Notes

**McKESSON CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In millions)  
(Unaudited)

	<b>Six Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 1,700	\$ 1,776
Adjustments to reconcile to net cash provided by (used in) operating activities:		
Depreciation	129	124
Amortization	187	175
Long-lived asset impairment charges	28	11
Deferred taxes	(271)	170
Charges (credits) associated with last-in, first-out inventory method	87	(36)
Non-cash operating lease expense	122	126
Gain from sales of businesses and investments	(16)	(148)
European businesses held for sale	—	(35)
Other non-cash items	314	157
Changes in assets and liabilities, net of acquisitions:		
Receivables	(3,207)	(1,883)
Inventories	(2,349)	(1,453)
Drafts and accounts payable	4,307	2,292
Operating lease liabilities	(166)	(174)
Taxes	(76)	82
Litigation liabilities	(529)	(915)
Other	(347)	(103)
Net cash provided by (used in) operating activities	<u>(87)</u>	<u>166</u>
<b>INVESTING ACTIVITIES</b>		
Payments for property, plant, and equipment	(153)	(157)
Capitalized software expenditures	(111)	(65)
Acquisitions, net of cash, cash equivalents, and restricted cash acquired	—	(23)
Proceeds from sales of businesses and investments, net	50	496
Other	(101)	(135)
Net cash provided by (used in) investing activities	<u>(315)</u>	<u>116</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	2,000	100
Repayments of short-term borrowings	(2,000)	(100)
Proceeds from issuances of long-term debt	991	—
Repayments of long-term debt	(271)	(4)
Purchase of U.S. government obligations for the satisfaction and discharge of long-term debt	(647)	—
Common stock transactions:		
Issuances	54	127
Share repurchases	(1,505)	(1,484)
Dividends paid	(149)	(139)
Other	(225)	(253)
Net cash used in financing activities	<u>(1,752)</u>	<u>(1,753)</u>
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(1)	24
Change in cash, cash equivalents, and restricted cash classified as Assets held for sale	—	470
Net decrease in cash, cash equivalents, and restricted cash	<u>(2,155)</u>	<u>(977)</u>
Cash, cash equivalents, and restricted cash at beginning of period	4,679	3,935
Cash, cash equivalents, and restricted cash at end of period	2,524	2,958
Less: Restricted cash at end of period included in Prepaid expenses and other	—	(42)
Cash and cash equivalents at end of period	<u>\$ 2,524</u>	<u>\$ 2,916</u>

*See Financial Notes*



**McKESSON CORPORATION**

**FINANCIAL NOTES**

**(UNAUDITED)**

**1. Significant Accounting Policies**

*Nature of Operations:* McKesson Corporation (“McKesson,” or the “Company,”) is a diversified healthcare services leader dedicated to advancing health outcomes for patients everywhere. McKesson partners with biopharma companies, care providers, pharmacies, manufacturers, governments, and others to deliver insights, products, and services to help make quality care more accessible and affordable. The Company reports its financial results in four reportable segments: U.S. Pharmaceutical, Prescription Technology Solutions (“RxTS”), Medical-Surgical Solutions, and International. Refer to Financial Note 12, “Segments of Business,” for additional information.

*Basis of Presentation:* The condensed consolidated financial statements and accompanying notes are prepared in accordance with United States (“U.S.”) generally accepted accounting principles (“GAAP”) for interim financial reporting and the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”) and therefore do not include all information and disclosures normally included in the annual consolidated financial statements.

The condensed consolidated financial statements of McKesson include the financial statements of all wholly-owned subsidiaries and majority-owned or controlled companies. For those consolidated subsidiaries where the Company’s ownership is less than 100%, the portion of the net income or loss allocable to the noncontrolling interests is reported as “Net income attributable to noncontrolling interests” in the Condensed Consolidated Statements of Operations. All significant intercompany balances and transactions have been eliminated in consolidation, including the intercompany portion of transactions with equity method investees.

Net income attributable to noncontrolling interests includes third-party equity interests in the Company’s consolidated entities, including ClarusONE Sourcing Services LLP, Vantage Oncology Holdings, LLC, and SCRI Oncology, LLC. Net income attributable to noncontrolling interests also included recurring compensation that the Company was obligated to pay to the noncontrolling shareholders of McKesson Europe AG (“McKesson Europe”). The Company’s noncontrolling interest in McKesson Europe was included in the divestiture of certain of the Company’s businesses in the European Union (“E.U.”) in October 2022, which is discussed further in Financial Note 2, “Business Acquisitions and Divestitures.”

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

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

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

*Use of Estimates:* The preparation of financial statements in conformity with U.S. GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of these financial statements and income and expenses during the reporting period. Actual amounts could differ from those estimated amounts. In the opinion of management, the unaudited condensed consolidated financial statements include all normal recurring adjustments necessary for a fair presentation of the results of operations, financial position, and cash flows of McKesson for the interim periods presented.

The results of operations for the three and six months ended September 30, 2023 are not necessarily indicative of the results that may be anticipated for the entire year. These interim financial statements should be read in conjunction with the annual audited financial statements, accounting policies, and financial notes included in the Company’s Annual Report on Form 10-K for the fiscal year ended March 31, 2023, previously filed with the SEC on May 9, 2023 (the “2023 Annual Report”).

**McKESSON CORPORATION**  
**FINANCIAL NOTES (CONTINUED)**  
**(UNAUDITED)**

On August 16, 2022, the U.S. government enacted the Inflation Reduction Act of 2022 (the “IRA”). Among other provisions, the IRA includes a 15% corporate minimum tax, a 1% excise tax on certain repurchases of an entity’s own common stock after December 31, 2022, and various drug pricing reforms. The Company does not anticipate that this legislation will have a material impact on its consolidated financial statements or related disclosures; however the Company continues to evaluate the impact of these legislative changes. Refer to Financial Note 11, “Stockholders’ Deficit,” for further details regarding excise taxes incurred on the Company’s share repurchases during the three and six months ended September 30, 2023.

*Recently Adopted Accounting Pronouncements*

There were no accounting standards adopted by the Company during the six months ended September 30, 2023.

*Recently Issued Accounting Pronouncements Not Yet Adopted*

In June 2022, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) 2022-03, *Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*, which clarifies the guidance when measuring the fair value of an equity security subject to contractual restrictions that prohibit the sale of such equity security, and requires additional disclosure requirements. ASU 2022-03 is effective for the Company on a prospective basis for fiscal years beginning after December 15, 2023, with early adoption permitted. The Company does not anticipate that this guidance will have a material impact on its consolidated financial statements or related disclosures.

## **2. Business Acquisitions and Divestitures**

*Acquisitions*

*Rx Savings Solutions, LLC*

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

The Company recorded a liability for the contingent consideration at its fair value of \$92 million as of the acquisition date. The fair value of the contingent consideration liability was estimated using a Monte Carlo simulation model, utilizing internal cash flow projections which are Level 3 inputs under Accounting Standards Codification (“ASC”) Topic 820, *Fair Value Measurements and Disclosures*. The contingent consideration liability will be remeasured to fair value at each reporting date until the liability is settled with changes in fair value being recognized within “Selling, distribution, general, and administrative expenses” in the Company’s Condensed Consolidated Statements of Operations. During the three and six months ended September 30, 2023, the Company recognized fair value adjustment gains of \$48 million and \$76 million, respectively, which reduced its contingent consideration liability, based on the estimated amount and timing of projected operational and financial information and the probability of achievement of performance milestones. As of September 30, 2023 and March 31, 2023, the current portion of the contingent consideration liability of \$15 million and \$83 million, respectively, is included within “Other accrued liabilities” and the long-term portion of \$1 million and \$9 million, respectively, is included within “Other non-current liabilities” in the Company’s Condensed Consolidated Balance Sheets. Recognition of the initial fair value of this contingent consideration was a non-cash investing activity.

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

**McKESSON CORPORATION**  
**FINANCIAL NOTES (CONTINUED)**  
**(UNAUDITED)**

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

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

*SCRI Oncology, LLC*

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

The purchase price allocation included acquired identifiable intangible assets of \$177 million, primarily representing customer relationships as well as trademarks and trade names with a weighted average amortization period of 17 years, and goodwill of \$113 million. Goodwill has been allocated to the Company’s U.S. Pharmaceutical segment, which reflects the expected future benefits from certain synergies and intangible assets that do not qualify for separate recognition. Goodwill attributable to the acquisition of \$46 million is deductible for tax purposes. The Company recorded noncontrolling interest of \$222 million as a component of equity, which includes HCA’s proportionate interest in the identifiable net assets of SCRI at fair value of \$202 million and its proportionate interest in the contributed net assets of USOR at carrying value of \$20 million. The difference between the fair value of the Company’s acquired interest in SCRI net assets and the \$166 million of net cash paid to HCA was recognized as additional paid in capital, as well as the Company’s reduction in ownership interest in USOR net assets.

**McKESSON CORPORATION**  
**FINANCIAL NOTES (CONTINUED)**  
**(UNAUDITED)**

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

<i>(In millions)</i>	<b>Amounts Recognized as of Acquisition Date (As Adjusted)</b>
<b>Purchase consideration:</b>	
Cash	\$ 166
Contribution of USOR	40
<b>Total purchase consideration</b>	<b>\$ 206</b>
<b>Identifiable assets acquired and liabilities assumed:</b>	
Receivables	\$ 224
Property, plant, and equipment	22
Operating lease right-of-use assets	31
Intangible assets	177
Current liabilities	(42)
Long-term operating lease liabilities	(29)
Other non-current liabilities	(43)
<b>Total identifiable net assets</b>	<b>340</b>
<b>Noncontrolling interest</b>	<b>(222)</b>
<b>Additional paid-in capital</b>	<b>(25)</b>
<b>Goodwill</b>	<b>113</b>
<b>Net assets acquired</b>	<b>\$ 206</b>

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

### ***Divestitures***

#### ***European Divestiture Activities***

In July 2021, the Company announced its intention to exit its businesses in Europe. On October 31, 2022, the Company completed its previously announced transaction to sell certain of its businesses in the E.U. located in France, Italy, Ireland, Portugal, Belgium, and Slovenia, along with its German headquarters and wound-care business, part of a shared services center in Lithuania, and its ownership stake in a joint venture in the Netherlands ("E.U. disposal group") to the PHOENIX Group. During the three and six months ended September 30, 2022, the Company recorded gains of \$23 million and \$35 million, respectively, to remeasure the E.U. disposal group to fair value less costs to sell which was recorded within "Selling, distribution, general, and administrative expenses" in the Condensed Consolidated Statements of Operations. The Company's measurement of the fair value of the E.U. disposal group was based on the total consideration expected to be received by the Company as outlined in the transaction agreement. Certain components of the total consideration included fair value measurements that fall within Level 3 of the fair value hierarchy.

On April 6, 2022, the Company completed the previously announced sale of its retail and distribution businesses in the United Kingdom ("U.K. disposal group") to Aurelius Elephant Limited for a purchase price of £110 million (or, approximately \$144 million), including certain adjustments. As part of the transaction, the Company divested net assets of \$615 million and released \$731 million of accumulated other comprehensive loss, within the International segment, and the buyer assumed and repaid a note payable to the Company of \$118 million.

**McKESSON CORPORATION**  
**FINANCIAL NOTES (CONTINUED)**  
**(UNAUDITED)**

At September 30, 2023 and March 31, 2023, the Company had no assets or liabilities related to these European divestiture activities that met the criteria for classification as held for sale. Subsequent to the divestiture activities discussed above, the Company's European operations primarily consist of its retail and distribution businesses in Norway.

**Other**

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

**3. Restructuring, Impairment, and Related Charges, Net**

The Company recorded restructuring, impairment, and related charges, net of \$28 million and \$30 million for the three months ended September 30, 2023 and 2022, respectively, and \$80 million and \$53 million for the six months ended September 30, 2023 and 2022, respectively. These charges were included in "Restructuring, impairment, and related charges, net" in the Condensed Consolidated Statements of Operations.

*Restructuring Initiatives*

During the fourth quarter of fiscal 2023, the Company approved a broad set of initiatives to drive operational efficiencies and increase cost optimization efforts, with the intent of simplifying its infrastructure and realizing long-term sustainable growth. These initiatives include headcount reductions and the exit or downsizing of certain facilities. The Company anticipates total charges of approximately \$125 million across its RxTS and U.S. Pharmaceutical segments as well as Corporate, consisting primarily of employee severance and other employee-related costs, facility and other exit-related costs, as well as long-lived asset impairments. Of this amount, \$99 million of cumulative charges were recorded through September 30, 2023. For the three and six months ended September 30, 2023, the Company recorded charges of \$3 million and \$39 million related to this program, respectively, which primarily includes real estate and other related asset impairments and facility costs within Corporate. This restructuring program is anticipated to be substantially complete by the end of fiscal 2024.

Restructuring, impairment, and related charges, net for the three months ended September 30, 2023 and 2022 consisted of the following:

Three Months Ended September 30, 2023						
(In millions)	U.S. Pharmaceutical	Prescription Technology Solutions <sup>(1)</sup>	Medical- Surgical Solutions	International	Corporate	Total
Severance and employee-related costs, net	\$ 8	\$ —	\$ —	\$ 2	\$ —	\$ 10
Exit and other-related costs <sup>(2)</sup>	1	3	4	4	6	18
Asset impairments and accelerated depreciation	—	—	—	—	—	—
Total	\$ 9	\$ 3	\$ 4	\$ 6	\$ 6	\$ 28

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

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

**McKESSON CORPORATION**  
**FINANCIAL NOTES (CONTINUED)**  
**(UNAUDITED)**

**Three Months Ended September 30, 2022**

<i>(In millions)</i>	<b>U.S. Pharmaceutical</b>	<b>Prescription Technology Solutions</b>	<b>Medical- Surgical Solutions</b>	<b>International</b>	<b>Corporate</b>	<b>Total</b>
Severance and employee-related costs, net	\$ —	\$ —	\$ —	\$ 2	\$ (5)	\$ (3)
Exit and other-related costs <sup>(1)</sup>	—	1	1	6	14	22
Asset impairments and accelerated depreciation	3	6	—	1	1	11
Total	\$ 3	\$ 7	\$ 1	\$ 9	\$ 10	\$ 30

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

Restructuring, impairment, and related charges, net, for the six months ended September 30, 2023 and 2022 consisted of the following:

**Six Months Ended September 30, 2023**

<i>(In millions)</i>	<b>U.S. Pharmaceutical</b>	<b>Prescription Technology Solutions <sup>(1)</sup></b>	<b>Medical- Surgical Solutions</b>	<b>International</b>	<b>Corporate <sup>(1)</sup></b>	<b>Total</b>
Severance and employee-related costs, net	\$ 9	\$ —	\$ —	\$ 2	\$ 1	\$ 12
Exit and other-related costs <sup>(2)</sup>	2	5	6	9	18	40
Asset impairments and accelerated depreciation	—	—	—	1	27	28
Total	\$ 11	\$ 5	\$ 6	\$ 12	\$ 46	\$ 80

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

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

**Six Months Ended September 30, 2022**

<i>(In millions)</i>	<b>U.S. Pharmaceutical</b>	<b>Prescription Technology Solutions</b>	<b>Medical- Surgical Solutions</b>	<b>International</b>	<b>Corporate</b>	<b>Total</b>
Severance and employee-related costs, net	\$ 3	\$ —	\$ —	\$ 2	\$ (6)	\$ (1)
Exit and other-related costs <sup>(1)</sup>	1	3	2	8	29	43
Asset impairments and accelerated depreciation	3	11	—	1	(4)	11
Total	\$ 7	\$ 14	\$ 2	\$ 11	\$ 19	\$ 53

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

**McKESSON CORPORATION**  
**FINANCIAL NOTES (CONTINUED)**  
**(UNAUDITED)**

The following table summarizes the activity related to the liabilities associated with the Company's restructuring initiatives for the six months ended September 30, 2023:

<i>(In millions)</i>	U.S. Pharmaceutical	Prescription Technology Solutions	Medical- Surgical Solutions	International	Corporate	Total
<b>Balance, March 31, 2023 <sup>(1)</sup></b>	\$ 15	\$ 26	\$ 3	\$ 13	\$ 35	\$ 92
Restructuring, impairment, and related charges, net	11	5	6	12	46	80
Non-cash charges	—	—	—	(1)	(27)	(28)
Cash payments	(10)	(26)	(6)	(3)	(23)	(68)
Other <sup>(2)</sup>	—	—	—	(10)	—	(10)
<b>Balance, September 30, 2023 <sup>(3)</sup></b>	<b>\$ 16</b>	<b>\$ 5</b>	<b>\$ 3</b>	<b>\$ 11</b>	<b>\$ 31</b>	<b>\$ 66</b>

- (1) As of March 31, 2023, the total reserve balance was \$92 million, of which \$66 million was recorded in "Other accrued liabilities" and \$26 million was recorded in "Other non-current liabilities" in the Company's Condensed Consolidated Balance Sheet.
- (2) Other primarily includes cumulative translation adjustments and transfers to certain other liabilities.
- (3) As of September 30, 2023, the total reserve balance was \$66 million, of which \$32 million was recorded in "Other accrued liabilities" and \$34 million was recorded in "Other non-current liabilities" in the Company's Condensed Consolidated Balance Sheet.

#### 4. Income Taxes

Income tax expense related to continuing operations was as follows:

<i>(Dollars in millions)</i>	<b>Three Months Ended September 30,</b>		<b>Six Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
Income tax expense	\$ 213	\$ 271	\$ 307	\$ 470
Reported income tax rate	23.3 %	21.8 %	15.3 %	20.9 %

Fluctuations in the Company's reported income tax rates were primarily due to changes in the mix of earnings between various taxing jurisdictions and discrete items recognized in the quarters.

During the three months ended September 30, 2023, the Company recognized a net discrete tax expense of \$12 million primarily related to interest expense accrued on unrecognized tax benefits, and recognized a net discrete tax benefit of \$16 million primarily related to increased tax credits during the three months ended September 30, 2022. During the six months ended September 30, 2023, the Company repatriated certain intellectual property between McKesson wholly-owned legal entities that are based in different tax jurisdictions. The transferor entity of the intellectual property was not subject to income tax on this transaction. The recipient entity of the intellectual property is entitled to amortize the fair value of the assets for tax purposes. As a result of this repatriation, and in accordance with ASU 2016-16, *Intra-Entity Transfers of Assets Other Than Inventory*, a net discrete tax benefit of \$147 million was recognized during the six months ended September 30, 2023. During the six months ended September 30, 2022, the Company recognized a net discrete tax benefit primarily related to the tax impact of share-based compensation of \$53 million.

As of September 30, 2023, the Company had \$1.4 billion of unrecognized tax benefits, of which \$1.3 billion would reduce income tax expense and the effective tax rate if recognized. During the next twelve months, the Company does not anticipate any material reduction in its unrecognized tax benefits based on the information currently available. However, this may change as the Company continues to have ongoing discussions with various taxing authorities throughout the year.

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



**McKESSON CORPORATION**  
**FINANCIAL NOTES (CONTINUED)**  
**(UNAUDITED)**

During the fourth quarter of fiscal 2023, the Internal Revenue Service (“IRS”) communicated proposed adjustments to taxable income reported in the Company’s fiscal 2018 and fiscal 2019 U.S. Federal Corporate Income Tax returns. The adjustments would increase the Company’s federal income tax liability in the range of \$600 million to \$700 million. The Company disagrees with the proposed adjustments and intends to pursue resolution through the administrative process with the IRS Independent Office of Appeals and, if necessary, through judicial remedies. During the first quarter of fiscal 2024, the Company filed a formal protest with the IRS. The Company does not anticipate a final resolution of these matters until fiscal 2026 or after. Although the final resolution of these matters is uncertain, the Company believes in the merits of its tax positions and believes that it has adequately reserved for any adjustments to the provision of income taxes that may ultimately result. However, if the IRS prevails in these matters, the assessed tax and interest could have a material adverse effect on the Company’s financial position, results of operations, and cash flows in future periods.

## 5. Earnings (Loss) Per Common Share

Basic earnings (loss) per common share is computed by dividing net income by the weighted-average number of common shares outstanding during the reporting period. The computation of diluted earnings per common share is similar to that of basic earnings (loss) per common share, except that the former reflects the potential dilution that could occur if dilutive securities or other obligations to issue common stock were exercised or converted into common stock. Potentially dilutive securities include outstanding stock options, restricted stock units, and performance-based restricted stock units. Less than one million of potentially dilutive securities for the three and six months ended September 30, 2023 and 2022 were excluded from the computation of diluted earnings per common share as they were anti-dilutive.

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
<i>(In millions, except per share amounts)</i>				
Income from continuing operations	\$ 703	\$ 973	\$ 1,700	\$ 1,780
Net income attributable to noncontrolling interests	(39)	(41)	(78)	(82)
Income from continuing operations attributable to McKesson Corporation	664	932	1,622	1,698
Loss from discontinued operations, net of tax	—	(6)	—	(4)
Net income attributable to McKesson Corporation	<u>\$ 664</u>	<u>\$ 926</u>	<u>\$ 1,622</u>	<u>\$ 1,694</u>
Weighted-average common shares outstanding:				
Basic	134.1	143.1	134.8	143.7
Effect of dilutive securities:				
Stock options	0.2	0.2	0.2	0.3
Restricted stock units <sup>(1)</sup>	0.5	0.8	0.7	1.0
Diluted	<u>134.8</u>	<u>144.1</u>	<u>135.7</u>	<u>145.0</u>
Earnings (loss) per common share attributable to McKesson Corporation: <sup>(2)</sup>				
Diluted				
Continuing operations	\$ 4.92	\$ 6.46	\$ 11.95	\$ 11.71
Discontinued operations	—	(0.04)	—	(0.03)
Total	<u>\$ 4.92</u>	<u>\$ 6.42</u>	<u>\$ 11.95</u>	<u>\$ 11.68</u>
Basic				
Continuing operations	\$ 4.95	\$ 6.51	\$ 12.03	\$ 11.81
Discontinued operations	—	(0.04)	—	(0.02)
Total	<u>\$ 4.95</u>	<u>\$ 6.47</u>	<u>\$ 12.03</u>	<u>\$ 11.79</u>



**McKESSON CORPORATION**  
**FINANCIAL NOTES (CONTINUED)**  
**(UNAUDITED)**

- (1) Includes dilutive effect from restricted stock units and performance-based stock units.  
(2) Certain computations may reflect rounding adjustments.

**6. Goodwill and Intangible Assets, Net**

*Goodwill*

The Company evaluates goodwill for impairment on an annual basis in the first fiscal quarter, and more frequently if indicators for potential impairment exist. Goodwill impairment testing is conducted at the reporting unit level, which is generally defined as an operating segment or one level below an operating segment (also known as a component), for which discrete financial information is available and segment management regularly reviews the operating results of that reporting unit. The annual impairment testing performed in fiscal 2024 and fiscal 2023 did not indicate any impairment of goodwill.

Changes in the carrying amount of goodwill were as follows:

<i>(In millions)</i>	U.S. Pharmaceutical <sup>(1)</sup>	Prescription Technology Solutions	Medical- Surgical Solutions	International	Total
<b>Balance, March 31, 2023</b>	\$ 4,050	\$ 2,005	\$ 2,453	\$ 1,439	\$ 9,947
Foreign currency translation adjustments, net	—	—	—	(6)	(6)
Other adjustments <sup>(2)</sup>	(7)	—	—	—	(7)
<b>Balance, September 30, 2023</b>	\$ 4,043	\$ 2,005	\$ 2,453	\$ 1,433	\$ 9,934

- (1) The goodwill balance allocated to the U.S. Pharmaceutical segment related to McKesson Europe's Celesio AG acquisition no longer reflects foreign currency translation adjustments as its functional currency was changed from Euros to U.S. dollars with the completion of the sale of the E.U. disposal group.  
(2) Includes purchase price allocation adjustments related to the formation of SCRI Oncology, which is discussed in Financial Note 2, "Business Acquisitions and Divestitures."

*Intangible Assets*

Information regarding intangible assets was as follows:

<i>(Dollars in millions)</i>	September 30, 2023				March 31, 2023		
	Weighted-Average Remaining Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	11	\$ 2,970	\$ (1,823)	\$ 1,147	\$ 2,971	\$ (1,765)	\$ 1,206
Service agreements	10	1,135	(654)	481	1,137	(623)	514
Trademarks and trade names	12	831	(453)	378	833	(430)	403
Technology	10	264	(137)	127	264	(129)	135
Other	6	184	(175)	9	193	(174)	19
Total		\$ 5,384	\$ (3,242)	\$ 2,142	\$ 5,398	\$ (3,121)	\$ 2,277

All intangible assets were subject to amortization as of September 30, 2023 and March 31, 2023. Amortization expense of intangible assets was \$62 million and \$57 million for the three months ended September 30, 2023 and 2022, respectively, and \$124 million and \$113 million for the six months ended September 30, 2023 and 2022, respectively. Estimated amortization expense of the assets listed in the table above is as follows: \$122 million, \$239 million, \$207 million, \$201 million, and \$196 million for the remainder of fiscal 2024 and each of the succeeding years through fiscal 2028, respectively, and \$1.2 billion thereafter.

**McKESSON CORPORATION**  
**FINANCIAL NOTES (CONTINUED)**  
**(UNAUDITED)**

## 7. Debt and Financing Activities

Long-term debt consisted of the following:

<i>(In millions)</i>	September 30, 2023	March 31, 2023
<b><u>U.S. Dollar notes</u></b> <sup>(1) (2)</sup>		
3.80% Notes due March 15, 2024	\$ —	\$ 918
0.90% Notes due December 3, 2025	500	500
5.25% Notes due February 15, 2026	499	499
1.30% Notes due August 15, 2026	499	498
7.65% Debentures due March 1, 2027	150	150
3.95% Notes due February 16, 2028	343	343
4.90% Notes due July 15, 2028	399	—
4.75% Notes due May 30, 2029	196	196
5.10% Notes due July 15, 2033	596	—
6.00% Notes due March 1, 2041	218	218
4.88% Notes due March 15, 2044	255	255
<b><u>Foreign currency notes</u></b> <sup>(1) (3)</sup>		
1.50% Euro Notes due November 17, 2025	633	649
1.63% Euro Notes due October 30, 2026	529	542
3.13% Sterling Notes due February 17, 2029	549	555
Lease and other obligations	218	271
<b>Total debt</b>	<b>5,584</b>	<b>5,594</b>
Less: Current portion	49	968
<b>Total long-term debt</b>	<b>\$ 5,535</b>	<b>\$ 4,626</b>

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

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

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

### ***Long-Term Debt***

The Company's long-term debt includes both U.S. dollar and foreign currency-denominated borrowings. At September 30, 2023 and March 31, 2023, \$5.6 billion of total debt was outstanding, of which \$49 million and \$968 million, respectively, was included under the caption "Current portion of long-term debt" in the Company's Condensed Consolidated Balance Sheets.

### ***Notes Offerings***

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

**McKESSON CORPORATION**  
**FINANCIAL NOTES (CONTINUED)**  
**(UNAUDITED)**

Each series of the Notes is an unsecured and unsubordinated obligation of the Company and ranks equally with all of the Company's existing, and future unsecured and unsubordinated indebtedness that may be outstanding from time-to-time. The Notes are governed by an indenture and officers' certificate that are materially similar to those of other series of notes issued by the Company. Upon at least 10 days' and not more than 60 days' notice to holders of the applicable series of the Notes, the Company may redeem either series of the Notes for cash in whole, at any time, or in part, from time to time, at redemption prices that include accrued and unpaid interest and a make-whole premium before a specified date, and at par plus accrued and unpaid interest thereafter until maturity, each as specified in the indenture and the officers' certificate. If there were to occur both (1) a change of control of the Company and (2) a downgrade of the applicable series of the Notes below an investment grade rating by each of the Ratings Agencies (as defined in the officers' certificate) within a specified period, then the Company would be required to make an offer to purchase those Notes at a price equal to 101% of the then outstanding principal amount of such Notes, plus accrued and unpaid interest to, but not including, the date of repurchase. The indenture and the related officers' certificate for the Notes, subject to the exceptions and in compliance with the conditions as applicable, specify that the Company may not consolidate, merge or sell all or substantially all of its assets, incur liens, or enter into sale-leaseback transactions exceeding specific terms, without the lenders' consent. The indenture also contains customary events of default provisions.

*Concurrent Tender Offer*

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

*Satisfaction and Discharge of the 2024 Notes*

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

The total gain recognized on the debt extinguishments described above for the six months ended September 30, 2023 was \$9 million and included within "Interest expense" in the Company's Condensed Consolidated Statement of Operations.

*Revolving Credit Facilities*

On November 7, 2022, the Company entered into a Credit Agreement (the "2022 Credit Facility"), that provides a syndicated \$4.0 billion five-year senior unsecured credit facility with a \$3.6 billion aggregate sublimit of availability in Canadian dollars, British pound sterling, and Euro. The 2022 Credit Facility is scheduled to mature in November 2027. The 2022 Credit Facility replaced the Company's previous syndicated \$4.0 billion five-year senior unsecured credit facility, dated as of September 25, 2019, as amended (the "2020 Credit Facility"), which was scheduled to mature in September 2024. The 2020 Credit Facility was terminated in connection with the execution of the 2022 Credit Facility. There were no borrowings under the 2020 Credit Facility during the six months ended September 30, 2022, and no amounts outstanding at the time of its termination. There were no borrowings under the 2022 Credit Facility during the six months ended September 30, 2023 and no amounts outstanding at September 30, 2023. At September 30, 2023, the Company was in compliance with all covenants under the 2022 Credit Facility.

*Commercial Paper*

The Company maintains a commercial paper program to support its working capital requirements and for other general corporate purposes. Under the program, the Company can issue up to \$4.0 billion in outstanding commercial paper notes. During the six months ended September 30, 2023, the Company borrowed and repaid \$2.0 billion under the program. During the six months ended September 30, 2022, the Company borrowed and repaid \$100 million under the program. At September 30, 2023 and March 31, 2023, there were no commercial paper notes outstanding.

**McKESSON CORPORATION**  
**FINANCIAL NOTES (CONTINUED)**  
**(UNAUDITED)**

## 8. Hedging Activities

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

### *Foreign Currency Exchange Risk*

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

### *Non-Derivative Instruments Designated as Hedges*

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

In connection with the divestiture of the E.U. disposal group in October 2022, the Euro-denominated notes described above were de-designated as net investment hedges.

In connection with the sale of the U.K. disposal group in April 2022, the Company reclassified \$26 million of gains from accumulated other comprehensive loss to "Selling, distribution, general, and administrative expenses" in the Condensed Consolidated Statement of Operations for the six months ended September 30, 2022. This amount related to the Company's £450 million of British pound sterling-denominated notes, which were previously accounted for as net investment hedges until de-designated in fiscal 2020, and was included in the fiscal 2022 calculation of charges to remeasure the assets and liabilities of the disposal group to fair value less costs to sell.

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
<i>(In millions)</i>				
<b>Non-derivatives designated as net investment hedges: <sup>(1)</sup></b>				
Euro-denominated notes	\$ —	\$ 75	\$ —	\$ 139

(1) There was no ineffectiveness in these hedges for the three and six months ended September 30, 2022.

**McKESSON CORPORATION**  
**FINANCIAL NOTES (CONTINUED)**  
**(UNAUDITED)**

***Derivative Instruments***

At September 30, 2023 and March 31, 2023, the notional amounts of the Company's outstanding derivatives were as follows:

			September 30, 2023		March 31, 2023	
(In millions)	Currency	Maturity Date <sup>(1)</sup>	Notional			
Derivatives designated as net investment hedges: <sup>(2)</sup>						
Cross-currency swaps <sup>(3)</sup>	CAD	Nov-24 to Mar-25	C\$	1,500	C\$	1,500
Derivatives designated as fair value hedges: <sup>(2)</sup>						
Cross-currency swaps <sup>(4)</sup>	GBP	Nov-28	£	450	£	450
Cross-currency swaps <sup>(4)</sup>	EUR	Aug-25 to Jul-26	€	1,100	€	1,100
Floating interest rate swaps <sup>(5)</sup>	USD	Feb-26 to Sep-29	\$	1,250	\$	1,250
Derivatives designated as cash flow hedges: <sup>(2)</sup>						
Cross-currency swaps <sup>(3)</sup>	CAD	Jan-24	C\$	400	C\$	400
Fixed interest rate swaps <sup>(6)</sup>	USD	Jun-23	\$	—	\$	450

- (1) The maturity date reflected is for outstanding derivatives as of September 30, 2023.
- (2) There was no ineffectiveness in these hedges for the three and six months ended September 30, 2023 and 2022.
- (3) The Company agreed with third parties to exchange fixed interest payments in one currency for fixed interest payments in another currency at specified intervals and to exchange principal in one currency for principal in another currency, calculated by reference to agreed-upon notional amounts.
- (4) Represents cross-currency fixed-to-fixed interest rate swaps to mitigate the foreign currency exchange fluctuations on its foreign currency-denominated notes.
- (5) Represents fixed-to-floating interest rate swaps to hedge the changes in fair value caused by fluctuations in the benchmark interest rates.
- (6) The Company entered into agreements with financial institutions to lock into the fixed benchmark interest rates for future bond issuance, which were terminated during the first quarter of fiscal 2024 as discussed further below.

***Net Investment Hedges***

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

***Fair Value Hedges***

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

**McKESSON CORPORATION**  
**FINANCIAL NOTES (CONTINUED)**  
**(UNAUDITED)**

*Cash Flow Hedges*

From time to time, the Company enters into cross-currency swaps to hedge intercompany loans denominated in non-functional currencies to reduce the income statement effects arising from fluctuations in foreign currency rates and also enters into forward contracts to hedge the variability of future benchmark interest rates on any planned bond issuances. The effective portion of changes in the fair value of these hedges is recorded in accumulated other comprehensive loss and reclassified into earnings in the same period in which the hedged transaction affects earnings. Changes in fair values representing hedge ineffectiveness are recognized in current earnings. Gains or losses reclassified from accumulated other comprehensive loss and recorded in “Selling, distribution, general, and administrative expenses” in the Condensed Consolidated Statements of Operations were not material for the three and six months ended September 30, 2023 and 2022.

The Company entered into forward-starting fixed interest rate swaps designated as cash flow hedges in fiscal 2023 with a notional amount of \$450 million, and in the first quarter of fiscal 2024 with a notional amount of \$50 million, to hedge the variability of future benchmark interest rates on a planned bond issuance. On June 15, 2023, the Company completed a public offering of the 2033 Notes, at which point the \$500 million cash flow hedges were terminated and the proceeds will be amortized to interest expense over the life of the 2033 Notes, or 10 years. Refer to Financial Note 7, “Debt and Financing Activities,” for additional information on the public offering of the 2033 Notes.

*Derivatives Not Designated as Hedges*

Derivative instruments not designated as hedges are marked-to-market at the end of each accounting period with the change in fair value included in earnings. Changes in the fair values for contracts not designated as hedges are recorded directly into earnings in “Selling, distribution, general, and administrative expenses” in the Condensed Consolidated Statements of Operations. The Company did not have any outstanding derivative instruments not designated as hedges during the periods presented.

*Other Information on Derivative Instruments*

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

	Three Months Ended September 30,		Six Months Ended September 30,	
	2023	2022	2023	2022
<i>(In millions)</i>				
<b>Derivatives designated as net investment hedges:</b>				
Cross-currency swaps	\$ 27	\$ 21	\$ 7	\$ 33
<b>Derivatives designated as cash flow and other hedges:</b>				
Cross-currency swaps <sup>(1)</sup>	\$ 33	\$ (3)	\$ 27	\$ (5)
Fixed interest rate swaps	—	28	16	55

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



**McKESSON CORPORATION**  
**FINANCIAL NOTES (CONTINUED)**  
**(UNAUDITED)**

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

		September 30, 2023			March 31, 2023			
		Fair Value of Derivative		U.S. Dollar Notional	Fair Value of Derivative		U.S. Dollar Notional	
(In millions)	Balance Sheet Caption	Asset	Liability		Asset	Liability		
Derivatives designated for hedge accounting:								
Cross-currency swaps (current)	Prepaid expenses and other	\$ 6	\$ —	\$ 301	\$ 5	\$ —	\$ 301	
Cross-currency swaps (non-current)	Other non-current assets/liabilities	73	1	2,760	74	2	2,760	
Interest rate swaps (non-current)	Other non-current assets/liabilities	—	51	1,250	1	15	1,700	
Total		\$ 79	\$ 52		\$ 80	\$ 17		

Refer to Financial Note 9, "Fair Value Measurements," for more information on these recurring fair value measurements.

## 9. Fair Value Measurements

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

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

Level 2 - significant other observable market-based inputs.

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

### *Assets and Liabilities Measured at Fair Value on a Recurring Basis*

Cash and cash equivalents at September 30, 2023 and March 31, 2023 included investments in money market funds of \$645 million and \$1.4 billion, respectively, which are reported at fair value. The fair value of money market funds was determined using quoted prices for identical investments in active markets, which are considered to be Level 1 inputs under the fair value measurements and disclosure guidance. The carrying value of all other cash equivalents approximates their fair value due to their relatively short-term nature.

Fair values of the Company's interest rate swaps and cross-currency swaps were determined using observable inputs from available market information, including quoted interest rates, foreign currency exchange rates, and other observable inputs from available market information. These inputs are considered Level 2 under the fair value measurements and disclosure guidance, and may not be representative of actual values that could have been realized or that will be realized in the future. Refer to Financial Note 8, "Hedging Activities," for fair values and other information on the Company's derivatives.

The Company holds investments in equity securities of U.S. growth stage companies that address both current and emerging business challenges in the healthcare industry and which had a carrying value of \$222 million and \$237 million at September 30, 2023 and March 31, 2023, respectively. These investments primarily consist of equity securities without readily determinable fair values and are included in "Other non-current assets" in the Condensed Consolidated Balance Sheets. The carrying value of publicly-traded investments, which was not material for the periods presented, was determined using quoted prices for identical investments in active markets and are considered to be Level 1 inputs. The net realized and unrealized gains and losses as well as impairment charges related to these investments are included within "Other income, net" in the Condensed Consolidated Statements of Operations and were not material for the three and six months ended September 30, 2023 and 2022.

**McKESSON CORPORATION**  
**FINANCIAL NOTES (CONTINUED)**  
**(UNAUDITED)**

*Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis*

In addition to assets and liabilities that are measured at fair value on a recurring basis, the Company's assets and liabilities are also subject to nonrecurring fair value measurements. Generally, assets are recorded at fair value on a nonrecurring basis as a result of impairment charges or as a result of charges to remeasure assets classified as held for sale to fair value less costs to sell.

At September 30, 2023 and March 31, 2023, the contingent consideration liability related to the Company's acquisition of RxSS in November 2022 was measured at fair value on a nonrecurring basis. Refer to Financial Note 2, "Business Acquisitions and Divestitures," for more information on this transaction.

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

There were no other material assets or liabilities measured at fair value on a nonrecurring basis at September 30, 2023 and March 31, 2023.

*Other Fair Value Disclosures*

At September 30, 2023 and March 31, 2023, the carrying amounts of cash, certain cash equivalents, restricted cash, receivables, drafts and accounts payable, short-term borrowings, and other current assets and liabilities approximated their estimated fair values because of the short-term maturity of these financial instruments.

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

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

	September 30, 2023		March 31, 2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value
(In millions)				
Long-term debt, including current maturities	\$ 5,584	\$ 5,268	\$ 5,594	\$ 5,386

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

*Goodwill*

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

*Long-lived Assets*

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



**McKESSON CORPORATION**  
**FINANCIAL NOTES (CONTINUED)**  
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The Company measures certain long-lived and intangible assets at fair value on a nonrecurring basis when events occur that indicate an asset group may not be recoverable. If the carrying amount of an asset group is not recoverable, an impairment charge is recorded to reduce the carrying amount by the excess over its fair value.

## **10. Commitments and Contingent Liabilities**

In addition to commitments and obligations incurred in the ordinary course of business, the Company is subject to a variety of claims and legal proceedings, including claims from customers and vendors, pending and potential legal actions for damages, governmental investigations, and other matters. The Company and its affiliates are parties to the legal claims and proceedings described below and in [Financial Note 17 to the Company's 2023 Annual Report](#), which disclosure is incorporated in this footnote by this reference. The Company is vigorously defending itself against those claims and in those proceedings. Significant developments in those matters are described below. If the Company is unsuccessful in defending, or if it determines to settle, any of these matters, it may be required to pay substantial sums, be subject to injunction and/or be forced to change how it operates its business, which could have a material adverse impact on its financial position or results of operations.

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

### ***1. Litigation and Claims Involving Distribution of Controlled Substances***

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

**McKESSON CORPORATION**  
**FINANCIAL NOTES (CONTINUED)**  
**(UNAUDITED)**

*State and Local Government Claims*

The Company and two other national pharmaceutical distributors (collectively “Distributors”) entered into a settlement agreement (the “Settlement”) and consent judgment with 48 states and their participating subdivisions, as well as the District of Columbia and all eligible territories (the “Settling Governmental Entities”). Approximately 2,300 cases have been dismissed. The Distributors did not admit liability or wrongdoing and do not waive any defenses pursuant to the Settlement. Under the Settlement, the Company has paid the Settling Governmental Entities approximately \$1.5 billion as of September 30, 2023, and additionally will pay the Settling Governmental Entities up to approximately \$6.3 billion through 2038. A minimum of 85% of the Settlement payments must be used by state and local governmental entities to remediate the opioid epidemic, while the remainder relates to plaintiffs’ attorneys’ fees and costs and will be paid out through 2030. Under the Settlement, the Distributors will establish a clearinghouse to consolidate their controlled-substance distribution data, which will be available to the settling U.S. states to use as part of their anti-diversion efforts. Alabama and West Virginia did not participate in the Settlement. Under a separate settlement agreement with Alabama and its subdivisions, the Company has paid approximately \$61 million as of September 30, 2023, and additionally will pay approximately \$113 million through 2031. The Company previously settled with the state of West Virginia in 2018, so West Virginia and its subdivisions were not eligible to participate in the Settlement. Under a separate settlement agreement, the Company has paid certain West Virginia subdivisions approximately \$38 million as of September 30, 2023, and additionally will pay approximately \$114 million through 2033. That agreement does not include school districts or the claims of Cabell County and the City of Huntington. After a trial, the claims of Cabell County and the City of Huntington, were decided in the Company’s favor on July 4, 2022. Those subdivisions appealed that decision.

Some other state and local governmental subdivisions did not participate in the Settlement, including certain municipal governments, government hospitals, school districts, and government-affiliated third-party payors. The Company contends that those subdivisions’ claims are foreclosed by the Settlement or other dispositive defenses, but the subdivisions contend that their claims are not foreclosed. The City of Baltimore, Maryland, is one such subdivision, and a trial of its claims is scheduled to begin September 26, 2024. An accrual for the remaining governmental subdivision claims is reflected in the total estimated liability for opioid-related claims in a manner consistent with how Settlement amounts were allocated to Settling Governmental Entities.

*Native American Tribe Claims*

The Company also entered into settlement agreements for opioid-related claims of federally recognized Native American tribes. Under those agreements, the Company has paid the settling Native American tribes approximately \$84 million as of September 30, 2023, and additionally will pay approximately \$112 million through 2027. A minimum of 85% of the total settlement payments must be used by the settling Native American tribes to remediate the opioid epidemic.

The Company’s estimated accrued liability for the opioid-related claims of U.S. governmental entities, including Native American tribes, was as follows:

<i>(In millions)</i>	<b>September 30, 2023</b>	<b>March 31, 2023</b>
Current litigation liabilities <sup>(1)</sup>	\$ 516	\$ 548
Long-term litigation liabilities	6,128	6,625
Total litigation liabilities	\$ 6,644	\$ 7,173

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

During the six months ended September 30, 2023, the Company made payments totaling \$529 million associated with the Settlement and the separate settlement agreements for opioid-related claims discussed above.

*Non-Governmental Plaintiff Claims*

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

**McKESSON CORPORATION**  
**FINANCIAL NOTES (CONTINUED)**  
**(UNAUDITED)**

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

#### *Canadian Plaintiff Claims*

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

#### *Defense of Opioids Claims*

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

### ***II. Other Litigation and Claims***

On May 17, 2013, the Company was served with a complaint filed in the United States District Court for the Northern District of California by True Health Chiropractic Inc., alleging that McKesson sent unsolicited marketing faxes in violation of the Telephone Consumer Protection Act of 1991 ("TCPA"), as amended by the Junk Fax Protection Act of 2005 or JFPA, *True Health Chiropractic Inc., et al. v. McKesson Corporation, et al.*, No. CV-13-02219 (HG). Plaintiffs seek statutory damages from \$500 to \$1,500 per violation plus injunctive relief. True Health Chiropractic later amended its complaint, adding McLaughlin Chiropractic Associates as an additional named plaintiff and McKesson Technologies Inc. as a defendant. Both plaintiffs alleged that defendants violated the TCPA by sending faxes that did not contain notices regarding how to opt out of receiving the faxes. On August 13, 2019, the court granted plaintiffs' renewed motion for class certification. After class notice and the opt-out period, 9,490 fax numbers remain in the class, representing 48,769 faxes received. On October 8, 2021, the court decertified the class citing the plaintiffs lacked class-wide proof identifying the manner of receipt, thus leaving two named Plaintiffs remaining in the case. On April 27, 2022, the Court found that the named Plaintiffs had failed to meet their burden to show Defendants willfully or knowingly violated the TCPA and therefore were not entitled to treble damages. The Court found McKesson liable for statutory damages in the amount of \$6,500. The Company appealed the finding of liability and the plaintiffs cross-appealed the denial of class certification and the ruling denying treble damages. On October 25, 2023, the U.S. Court of Appeals for the Ninth Circuit affirmed the decision of the district court.

On December 9, 2019, the United States District Court for the Eastern District of New York ordered the unsealing of a complaint filed by a relator, purportedly on behalf of the United States, 30 states, the District of Columbia, and two cities, alleging that from 2001 through 2010 US Oncology, Inc., an affiliate of the Company, repackaged and sold single-dose syringes of oncology medications in a manner that violated the federal False Claims Act and various state and local false claims statutes, and seeking damages, treble damages, civil penalties, attorneys' fees and costs of suit, all in unspecified amounts, *United States ex rel. Omni Healthcare, Inc. v. US Oncology, Inc.*, 19-cv-05125. The United States and the named states declined to intervene in the case. Relator filed an amended complaint on August 19, 2022. On September 8, 2023, US Oncology, Inc.'s motion to dismiss the amended complaint was granted. Relator has filed a notice of appeal. The separate related case against the Company itself, *United States ex rel. Omni Healthcare, Inc. v. McKesson Corp.*, 1:12-cv-06440, remains pending in the district court.

### ***III. Government Subpoenas and Investigations***

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

**McKESSON CORPORATION**  
**FINANCIAL NOTES (CONTINUED)**  
**(UNAUDITED)**

## **11. Stockholders' Deficit**

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

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

### *Share Repurchase Plans*

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

Effective January 1, 2023, the Company's repurchase of common stock, adjusted for allowable items, are subject to a 1% excise tax as a result of the IRA. Excise taxes incurred on share repurchases of an entity's own common stock are direct and incremental costs to purchase treasury stock, and accordingly are included in the total cost basis of the common stock acquired and reflected as a reduction of stockholders' equity within "Treasury shares" in the Company's Condensed Consolidated Balance Sheets and Condensed Consolidated Statements of Stockholders' Deficit. Excise taxes do not reduce the Company's remaining authorization for the repurchase of common stock.

During the three months ended September 30, 2023, the Company repurchased 2.0 million shares of common stock for \$840 million through open market transactions at an average price per share of \$422.39, of which \$23 million was accrued within "Other accrued liabilities" in the Company's Condensed Consolidated Balance Sheet for share repurchases that were executed in late September 2023 and settled in early October 2023. During the three months ended June 30, 2023, the Company repurchased 1.8 million shares of common stock for \$673 million through open market transactions at an average price per share of \$379.14. Excise taxes incurred of \$8 million and \$12 million for the three and six months ended September 30, 2023, respectively, were accrued within "Other accrued liabilities" in the Company's Condensed Consolidated Balance Sheets for shares repurchased during the first half of fiscal 2024. As of March 31, 2023, the Company had \$27 million accrued within "Other accrued liabilities" for share repurchases that were executed in late March 2023, which settled in early April 2023.

During the three months ended September 30, 2022, the Company repurchased 1.5 million shares of common stock for \$524 million through open market transactions at an average price per share of \$355.75. There were no open market share repurchases during the three months ended June 30, 2022.

In May 2022, the Company entered into an ASR program with a third-party financial institution to repurchase \$1.0 billion shares of common stock. The total number of shares repurchased under this ASR program was 3.1 million shares at an average price per share of \$321.05. The Company received 2.6 million shares as the initial share settlement, and in August 2022, the Company received an additional 0.5 million shares upon the completion of this ASR program.

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

In July 2023, the Board approved an increase of \$6.0 billion in the authorization for repurchase of common stock. The total remaining authorization outstanding for repurchases of common stock at September 30, 2023 was \$8.1 billion.

**McKESSON CORPORATION**  
**FINANCIAL NOTES (CONTINUED)**  
**(UNAUDITED)**

*Accumulated Other Comprehensive Loss*

Information regarding changes in accumulated other comprehensive loss, including noncontrolling interests, by components for the three months ended September 30, 2023 and 2022 was as follows:

	<b>Foreign Currency Translation Adjustments</b>				
<i>(In millions)</i>	<b>Foreign Currency Translation Adjustments, Net of Tax <sup>(1)</sup></b>	<b>Unrealized Gains (Losses) on Net Investment Hedges, Net of Tax</b>	<b>Unrealized Gains (Losses) on Cash Flow and Other Hedges, Net of Tax</b>	<b>Unrealized Gains (Losses) and Other Components of Benefit Plans, Net of Tax</b>	<b>Total Accumulated Other Comprehensive Loss</b>
<b>Balance, June 30, 2023</b>	\$ (780)	\$ (29)	\$ (29)	\$ (10)	\$ (848)
Other comprehensive income (loss) before reclassifications	(84)	20 <sup>(2)</sup>	25	1	(38)
Amounts reclassified to earnings and other	—	—	—	(1)	(1)
Other comprehensive income (loss)	(84)	20	25	—	(39)
Less: amounts attributable to noncontrolling interests	—	—	—	—	—
Other comprehensive income (loss) attributable to McKesson	(84)	20	25	—	(39)
<b>Balance, September 30, 2023</b>	\$ (864)	\$ (9)	\$ (4)	\$ (10)	\$ (887)

- (1) Primarily results from the conversion of non-U.S. dollar financial statements of the Company's operations in Canada and Europe into the Company's reporting currency, U.S. dollars.
- (2) Amounts recorded for the three months ended September 30, 2023 include gains of \$27 million related to net investment hedges from cross-currency swaps, which are net of income tax expense of \$7 million.

	<b>Foreign Currency Translation Adjustments</b>				
<i>(In millions)</i>	<b>Foreign Currency Translation Adjustments, Net of Tax <sup>(1)</sup></b>	<b>Unrealized Gains on Net Investment Hedges, Net of Tax</b>	<b>Unrealized Gains on Cash Flow and Other Hedges, Net of Tax</b>	<b>Unrealized Gains (Losses) and Other Components of Benefit Plans, Net of Tax</b>	<b>Total Accumulated Other Comprehensive Loss</b>
<b>Balance, June 30, 2022</b>	\$ (997)	\$ 38	\$ 45	\$ (34)	\$ (948)
Other comprehensive income (loss) before reclassifications	(280)	71 <sup>(2)</sup>	18	2	(189)
Amounts reclassified to earnings and other	17	—	—	—	17
Other comprehensive income (loss)	(263)	71	18	2	(172)
Less: amounts attributable to noncontrolling interests	(6)	—	—	—	(6)
Other comprehensive income (loss) attributable to McKesson	(257)	71	18	2	(166)
<b>Balance, September 30, 2022</b>	\$ (1,254)	\$ 109	\$ 63	\$ (32)	\$ (1,114)

- (1) Primarily results from the conversion of non-U.S. dollar financial statements of the Company's operations in Canada and Europe into the Company's reporting currency, U.S. dollars.
- (2) Amounts recorded for the three months ended September 30, 2022 include gains of \$75 million related to net investment hedges from Euro-denominated notes and gains of \$21 million related to net investment hedges from cross-currency swaps. These amounts are net of income tax expense of \$25 million.

**McKESSON CORPORATION**  
**FINANCIAL NOTES (CONTINUED)**  
**(UNAUDITED)**

Information regarding changes in accumulated other comprehensive loss, including noncontrolling interests, by components for the six months ended September 30, 2023 and 2022 was as follows:

	<b>Foreign Currency Translation Adjustments</b>		<b>Unrealized Gains (Losses) on Cash Flow and Other Hedges, Net of Tax</b>	<b>Unrealized Gains (Losses) on Investment Hedges, Net of Tax</b>	<b>Unrealized Losses and Other Components of Benefit Plans, Net of Tax</b>	<b>Total Accumulated Other Comprehensive Loss</b>
	<b>Foreign Currency Translation Adjustments, Net of Tax <sup>(1)</sup></b>	<b>Unrealized Gains (Losses) on Investment Hedges, Net of Tax</b>	<b>Unrealized Gains (Losses) on Cash Flow and Other Hedges, Net of Tax</b>	<b>Unrealized Losses and Other Components of Benefit Plans, Net of Tax</b>	<b>Total Accumulated Other Comprehensive Loss</b>	
<i>(In millions)</i>						
<b>Balance, March 31, 2023</b>	\$ (847)	\$ (14)	\$ (36)	\$ (8)	\$ (905)	
Other comprehensive income (loss) before reclassifications	(17)	5 <sup>(2)</sup>	32	(1)	19	
Amounts reclassified to earnings and other	—	—	—	(1)	(1)	
Other comprehensive income (loss)	(17)	5	32	(2)	18	
Less: amounts attributable to noncontrolling interests	—	—	—	—	—	
Other comprehensive income (loss) attributable to McKesson	(17)	5	32	(2)	18	
<b>Balance, September 30, 2023</b>	\$ (864)	\$ (9)	\$ (4)	\$ (10)	\$ (887)	

- (1) Primarily results from the conversion of non-U.S. dollar financial statements of the Company's operations in Canada and Europe into the Company's reporting currency, U.S. dollars.
- (2) Amounts recorded for the six months ended September 30, 2023 include gains of \$7 million related to net investment hedges from cross-currency swaps, which are net of income tax expense of \$2 million.

	<b>Foreign Currency Translation Adjustments</b>		<b>Unrealized Gains (Losses) on Cash Flow and Other Hedges, Net of Tax</b>	<b>Unrealized Gains (Losses) on Investment Hedges, Net of Tax</b>	<b>Unrealized Gains (Losses) and Other Components of Benefit Plans, Net of Tax</b>	<b>Total Accumulated Other Comprehensive Loss</b>
	<b>Foreign Currency Translation Adjustments, Net of Tax <sup>(1)</sup></b>	<b>Unrealized Gains (Losses) on Investment Hedges, Net of Tax</b>	<b>Unrealized Gains (Losses) on Cash Flow and Other Hedges, Net of Tax</b>	<b>Unrealized Gains (Losses) and Other Components of Benefit Plans, Net of Tax</b>	<b>Total Accumulated Other Comprehensive Loss</b>	
<i>(In millions)</i>						
<b>Balance, March 31, 2022</b>	\$ (1,504)	\$ 10	\$ 27	\$ (67)	\$ (1,534)	
Other comprehensive income (loss) before reclassifications	(456)	116 <sup>(2)</sup>	36	14	(290)	
Amounts reclassified to earnings and other <sup>(3)</sup>	747	(17)	—	24	754	
Other comprehensive income	291	99	36	38	464	
Less: amounts attributable to noncontrolling interests	41	—	—	3	44	
Other comprehensive income attributable to McKesson	250	99	36	35	420	
<b>Balance, September 30, 2022</b>	\$ (1,254)	\$ 109	\$ 63	\$ (32)	\$ (1,114)	

- (1) Primarily results from the conversion of non-U.S. dollar financial statements of the Company's operations in Canada and Europe into the Company's reporting currency, U.S. dollars.
- (2) Amounts recorded for the six months ended September 30, 2022 include gains of \$139 million related to net investment hedges from Euro-denominated notes and gains of \$33 million related to net investment hedges from cross-currency swaps. These amounts are net of income tax expense of \$56 million.



**McKESSON CORPORATION**  
**FINANCIAL NOTES (CONTINUED)**  
**(UNAUDITED)**

- (3) Primarily included adjustments for amounts related to the sale of the U.K. disposal group, as discussed in more detail in Financial Note 2, “Business Acquisitions and Divestitures.” These amounts were included in the fiscal 2022 calculation of charges to remeasure the assets and liabilities held for sale to fair value less costs to sell recorded within “Selling, distribution, general, and administrative expenses” in the Consolidated Statements of Operations.

## **12. Segments of Business**

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

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

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

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

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

**McKESSON CORPORATION**  
**FINANCIAL NOTES (CONTINUED)**  
**(UNAUDITED)**

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

<i>(In millions)</i>	<b>Three Months Ended September 30,</b>		<b>Six Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Segment revenues <sup>(1)</sup></b>				
U.S. Pharmaceutical	\$ 69,766	\$ 60,059	\$ 136,926	\$ 117,006
Prescription Technology Solutions	1,140	1,018	2,384	2,084
Medical-Surgical Solutions	2,834	2,843	5,445	5,435
International	3,475	6,237	6,943	12,786
Total revenues	<u>\$ 77,215</u>	<u>\$ 70,157</u>	<u>\$ 151,698</u>	<u>\$ 137,311</u>
<b>Segment operating profit (loss) <sup>(2)</sup></b>				
U.S. Pharmaceutical <sup>(3)</sup>	\$ 593	\$ 896	\$ 1,420	\$ 1,592
Prescription Technology Solutions <sup>(4)</sup>	238	120	469	264
Medical-Surgical Solutions	244	299	471	555
International <sup>(5)</sup>	66	(37)	123	(43)
Subtotal	1,141	1,278	2,483	2,368
Corporate expenses, net <sup>(6)</sup>	(164)	21	(368)	(18)
Interest expense	(61)	(55)	(108)	(100)
Income from continuing operations before income taxes	<u>\$ 916</u>	<u>\$ 1,244</u>	<u>\$ 2,007</u>	<u>\$ 2,250</u>

- (1) Revenues from services on a disaggregated basis represent approximately 1% of the U.S. Pharmaceutical segment's total revenues, less than 40% of the RxTS segment's total revenues, less than 2% of the Medical-Surgical Solutions segment's total revenues, and less than 1% of the International segment's total revenues. The International segment reflects foreign revenues. Revenues for the remaining three reportable segments are derived in the U.S.
- (2) Segment operating profit (loss) includes gross profit, net of total operating expenses, as well as other income, net, for the Company's reportable segments.
- (3) The Company's U.S. Pharmaceutical segment's operating profit includes the following:
  - a provision for bad debts of \$210 million for the three and six months ended September 30, 2023 related to the bankruptcy of Rite Aid (as defined below) in October 2023, as discussed in more detail in Financial Note 13, "Subsequent Events;"
  - cash receipts for the Company's share of antitrust legal settlements of \$79 million and \$197 million for the three and six months ended September 30, 2023, respectively;
  - a charge of \$55 million and a credit of \$23 million related to the last-in, first-out ("LIFO") method of accounting for inventories for the three months ended September 30, 2023 and 2022, respectively, and a charge of \$87 million and a credit of \$36 million for the six months ended September 30, 2023 and 2022, respectively; and
  - a gain of \$142 million for the three and six months ended September 30, 2022 related to the exit of one of the Company's investments in equity securities in July 2022 for proceeds of \$179 million, which is reflected within "Other income, net" in the Company's Condensed Consolidated Statements of Operations.
- (4) The Company's RxTS segment's operating profit for the three and six months ended September 30, 2023 includes fair value adjustment gains of \$48 million and \$76 million, respectively, which reduced the Company's contingent consideration liability related to the RxSS acquisition, as discussed in more detail in Financial Note 2, "Business Acquisitions and Divestitures."
- (5) The Company's International segment's operating loss for the three and six months ended September 30, 2022 includes charges of \$143 million and \$237 million, respectively, to remeasure the assets and liabilities of the E.U. disposal group to fair value less costs to sell, as discussed in more detail in Financial Note 2, "Business Acquisitions and Divestitures."
- (6) Corporate expenses, net includes the following:
  - restructuring charges of \$46 million for the six months ended September 30, 2023 for restructuring initiatives as discussed in more detail in Financial Note 3, "Restructuring, Impairment, and Related Charges, Net;" and
  - gains of \$166 million and \$272 million for the three and six months ended September 30, 2022, respectively, primarily related to the effect of accumulated other comprehensive loss components from the E.U. disposal group, as discussed in more detail in Financial Note 2, "Business Acquisitions and Divestitures."



**McKESSON CORPORATION**  
**FINANCIAL NOTES (CONCLUDED)**  
**(UNAUDITED)**

**13. Subsequent Events**

In October 2023, the Company's customer, Rite Aid Corporation (including certain of its subsidiaries, "Rite Aid"), filed a voluntary petition for reorganization under Chapter 11 of the Bankruptcy Code. As a result, the Company recognized a provision for bad debts of \$210 million during the three and six months ended September 30, 2023. This charge represents the remaining uncollected trade accounts receivable balance as of September 30, 2023 due from Rite Aid. This charge was recognized within "Selling, distribution, general, and administrative expenses" in the Company's Condensed Consolidated Statements of Operations and included within the U.S. Pharmaceutical segment.

The Company also anticipates recognizing a provision for bad debts of \$511 million in the third quarter of fiscal 2024 for trade accounts receivable that the Company recognized from sales to Rite Aid in October 2023 before its bankruptcy petition.

## McKESSON CORPORATION

FINANCIAL REVIEW  
(UNAUDITED)

## Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

## INDEX TO MANAGEMENT’S DISCUSSION AND ANALYSIS

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## GENERAL

Management’s discussion and analysis of financial condition and results of operations, referred to as the “Financial Review,” is intended to assist the reader in the understanding and assessment of significant changes and trends related to the results of operations and financial position of McKesson Corporation together with its subsidiaries (collectively, the “Company,” “McKesson,” “we,” “our,” or “us,” and other similar pronouns). This discussion and analysis should be read in conjunction with the condensed consolidated financial statements and accompanying financial notes in Item 1 of Part I of this Quarterly Report on Form 10-Q (“Quarterly Report”) and in Item 8 of Part II of our Annual Report on Form 10-K for the fiscal year ended March 31, 2023 previously filed with the Securities and Exchange Commission (the “SEC”) on May 9, 2023 (“2023 Annual Report”).

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

Certain statements in this report constitute forward-looking statements. See “*Cautionary Notice About Forward-Looking Statements*” included in this Quarterly Report.

**Overview of our Business:**

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

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

**McKESSEN CORPORATION**  
**FINANCIAL REVIEW (CONTINUED)**  
**(UNAUDITED)**

The following summarizes our four reportable segments. Refer to Financial Note 12, “Segments of Business,” to the accompanying condensed consolidated financial statements included in this Quarterly Report for further information regarding our reportable segments.

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

***Executive Summary:***

The following summary provides highlights and key factors that impacted our business, operating results, financial condition, and liquidity for the three and six months ended September 30, 2023:

- For the three months ended September 30, 2023 compared to the prior year, revenues increased by 10%, gross profit decreased by 1%, total operating expenses increased by 7%, and other income, net decreased by \$149 million. For the six months ended September 30, 2023 compared to the prior year, revenues increased by 10%, gross profit was flat, total operating expenses increased by 2%, and other income, net decreased by \$126 million. Refer to the “*Overview of Consolidated Results*” section below for an analysis of these changes;
- Diluted earnings per common share from continuing operations attributable to McKesson Corporation decreased to \$4.92 from \$6.46 for the three months ended September 30, 2023 and increased to \$11.95 from \$11.71 for the six months ended September 30, 2023 compared to the respective prior year periods;
- For the three and six months ended September 30, 2023, we recognized a provision for bad debts of \$210 million related to the bankruptcy of our customer, Rite Aid Corporation (including certain of its subsidiaries, “Rite Aid”), in October 2023. Refer to Financial Note 13, “Subsequent Events,” to the accompanying condensed consolidated financial statements included in this Quarterly Report for more information;
- We received \$79 million and \$197 million for the three and six months ended September 30, 2023, respectively, related to our share of antitrust legal settlements. These amounts were recorded as a gain within “Cost of sales” in the Condensed Consolidated Statements of Operations within our U.S. Pharmaceutical segment;
- For the six months ended September 30, 2023, we recognized a net discrete tax benefit of \$147 million related to the repatriation of certain intellectual property between McKesson wholly-owned legal entities that are based in different tax jurisdictions;

**McKESSON CORPORATION**  
**FINANCIAL REVIEW (CONTINUED)**  
**(UNAUDITED)**

- During the three and six months ended September 30, 2023, we recorded fair value adjustment gains of \$48 million and \$76 million, respectively, related to the contingent consideration liability recognized as part of our acquisition of Rx Savings Solutions, LLC. The gains, within Prescription Technology Solutions, resulted from remeasurement of the liability to fair value at the end of each reporting period based on the estimated amount and timing of projected operational and financial information and the probability of achievement of performance milestones;
- On June 15, 2023, we completed a public offering of 4.90% Notes due July 15, 2028 in a principal amount of \$400 million and 5.10% Notes due July 15, 2033 in a principal amount of \$600 million, for proceeds received, net of discounts and offering expenses, of \$397 million and \$592 million, respectively. A portion of the net proceeds from these offerings was utilized to fund the repurchase of our 3.80% Notes due March 15, 2024 (the “2024 Notes”) discussed below, while the remaining net proceeds was available for general corporate purposes;
- On June 16, 2023, we completed a cash tender offer for any and all of the 2024 Notes with a principal amount of \$918 million. Using a portion of the net proceeds from the June 15, 2023 notes offering described above, we paid an aggregate consideration of \$268 million to repurchase \$271 million of principal amount of the 2024 Notes plus any accrued and unpaid interest;
- Following the consummation of the cash tender offer discussed above, on June 16, 2023, we irrevocably deposited U.S. government obligations with the trustee under the indenture governing the 2024 Notes sufficient to fund the payment of accrued and unpaid interest of the remaining \$647 million principal amount of the 2024 Notes as it becomes due, and of the principal amount of those 2024 Notes on their March 15, 2024 maturity date. Refer to Financial Note 7, “Debt and Financing Activities,” to the accompanying condensed consolidated financial statements included in this Quarterly Report for more information; and
- We returned \$1.7 billion of cash to shareholders during the six months ended September 30, 2023 through \$1.5 billion of common stock repurchases through open market transactions and \$149 million of dividend payments. In July 2023, our Board of Directors (the “Board”) approved an increase of \$6.0 billion in the authorization for repurchase of the Company’s common stock and raised our quarterly dividend to \$0.62 from \$0.54 per share of common stock. The total remaining authorization outstanding for repurchases of the Company’s common stock at September 30, 2023 was \$8.1 billion.

***Trends and Uncertainties:***

***Legislative Developments***

On August 16, 2022, the U.S. government enacted the Inflation Reduction Act of 2022 (the “IRA”). Among other provisions, the IRA includes a 15% corporate minimum tax, a 1% excise tax on certain repurchases of an entity’s own common stock after December 31, 2022, and various drug pricing reforms. We do not anticipate that this legislation will have a material impact on our consolidated financial statements or related disclosures; however, we continue to evaluate the impact of these legislative changes. Refer to Financial Note 11, “Stockholders’ Deficit,” to the accompanying condensed consolidated financial statements included in this Quarterly Report for further details regarding excise taxes incurred on our share repurchases during the three and six months ended September 30, 2023.

***COVID-19***

The U.S. federal government and World Health Organization suspended their respective public health emergencies in regards to the SARS-CoV-2 coronavirus (“COVID-19”) in May 2023. We have experienced a decrease in revenues and operating profit within our U.S. Pharmaceutical segment from reduced COVID-19 vaccine distribution, and within our Medical-Surgical Solutions segment from reduced sales of COVID-19 tests and reduced assembly and distribution of ancillary supply kits needed to administer COVID-19 vaccines. These reductions were driven by a decline in demand that we anticipate to continue throughout fiscal 2024. In the second quarter of fiscal 2024, we began transitioning the distribution of COVID-19 vaccines to commercial channels. The impacts from these COVID-19 related items were not material to revenues and operating profit for the three and six months ended September 30, 2023. For additional disclosure of trends and uncertainties due to COVID-19, refer to Item 7 - Management’s Discussion and Analysis of Financial Condition and Results of Operations in Part II of our 2023 Annual Report.

**McKESSON CORPORATION**  
**FINANCIAL REVIEW (CONTINUED)**  
**(UNAUDITED)**

***Opioid-Related Litigation and Claims***

As described in the discussion of opioid-related matters in Financial Note 10, “Commitments and Contingent Liabilities,” to the condensed consolidated financial statements accompanying this Quarterly Report, we are a defendant in many legal proceedings asserting claims related to the distribution of controlled substances (opioids) in federal and state courts throughout the U.S., and in Puerto Rico and Canada. The plaintiffs in these actions have included state attorneys general, county and municipal governments, tribal nations, hospitals, health and welfare funds, third-party payors, and individuals. The Company believes it has valid legal defenses in all opioid-related matters, including claims not covered by settlement agreements, and it intends to mount a vigorous defense. Other than as to the settlement agreements and the U.S. governmental subdivision claims described in Financial Note 10, the Company has not concluded a loss is probable in any of the matters; nor is any possible loss or range of loss reasonably estimable. An adverse judgment or negotiated resolution in any of these matters could have a material adverse impact on the Company’s financial position, cash flows or liquidity, or results of operations. During the six months ended September 30, 2023, the Company made payments totaling \$529 million associated with various settlement agreements for opioid-related claims of states, subdivisions, and Native American tribes. Our total estimated liability for opioid-related claims was \$6.6 billion as of September 30, 2023, of which \$516 million was included within “Other accrued liabilities” for the amount estimated to be paid within the next twelve months, and the remaining liability was included in “Long-term litigation liabilities” in our Condensed Consolidated Balance Sheet.

***Rite Aid Bankruptcy Proceedings***

In October 2023, Rite Aid filed a voluntary petition for reorganization under Chapter 11 of the Bankruptcy Code. As a result, we recognized a provision for bad debts of \$210 million during the three and six months ended September 30, 2023, representing the remaining uncollected trade accounts receivable balance as of September 30, 2023 due from Rite Aid. This charge was recognized within “Selling, distribution, general, and administrative expenses” in the Company’s Condensed Consolidated Statements of Operations and included within the U.S. Pharmaceutical segment.

We also expect to recognize a provision for bad debts of \$511 million in the third quarter of fiscal 2024 for trade accounts receivable that we recognized from sales to Rite Aid in October 2023 before its bankruptcy petition. We believe the reserves maintained and expenses recorded in fiscal 2024 for Rite Aid trade accounts receivable are appropriate and consistent with our accounting policy and assessment of the information currently available. We evaluate our reserves periodically and as circumstances warrant which may result in changes to our reserves. For additional disclosure of our policy regarding allowances for credit losses, refer to the “Critical Accounting Estimates” section within Item 7 - Management’s Discussion and Analysis of Financial Condition and Results of Operations in Part II of our 2023 Annual Report.

**McKESSON CORPORATION**  
**FINANCIAL REVIEW (CONTINUED)**  
**(UNAUDITED)**

**RESULTS OF OPERATIONS**

*Overview of Consolidated Results:*

<i>(Dollars in millions, except per share data)</i>	<b>Three Months Ended September 30,</b>		<b>Change</b>	<b>Six Months Ended September 30,</b>		<b>Change</b>
	<b>2023</b>	<b>2022</b>		<b>2023</b>	<b>2022</b>	
Revenues	\$ 77,215	\$ 70,157	10 %	\$151,698	\$137,311	10 %
Gross profit	3,069	3,095	(1)	6,091	6,118	—
<i>Gross profit margin</i>	<i>3.97 %</i>	<i>4.41 %</i>	<i>(44) bp</i>	<i>4.02 %</i>	<i>4.46 %</i>	<i>(44) bp</i>
Total operating expenses	\$ (2,118)	\$ (1,971)	7 %	\$ (4,040)	\$ (3,958)	2 %
<i>Total operating expenses as a percentage of revenues</i>	<i>2.74 %</i>	<i>2.81 %</i>	<i>(7) bp</i>	<i>2.66 %</i>	<i>2.88 %</i>	<i>(22) bp</i>
Other income, net	\$ 26	\$ 175	(85) %	\$ 64	\$ 190	(66) %
Interest expense	(61)	(55)	11	(108)	(100)	8
Income from continuing operations before income taxes	916	1,244	(26)	2,007	2,250	(11)
Income tax expense	(213)	(271)	(21)	(307)	(470)	(35)
<i>Reported income tax rate</i>	<i>23.3 %</i>	<i>21.8 %</i>	<i>150 bp</i>	<i>15.3 %</i>	<i>20.9 %</i>	<i>(560) bp</i>
Income from continuing operations	\$ 703	\$ 973	(28) %	\$ 1,700	\$ 1,780	(4) %
Loss from discontinued operations, net of tax	—	(6)	(100)	—	(4)	(100)
Net income	703	967	(27)	1,700	1,776	(4)
Net income attributable to noncontrolling interests	(39)	(41)	(5)	(78)	(82)	(5)
Net income attributable to McKesson Corporation	<u>\$ 664</u>	<u>\$ 926</u>	(28) %	<u>\$ 1,622</u>	<u>\$ 1,694</u>	(4) %
<b>Diluted earnings per common share attributable to McKesson Corporation</b>						
Continuing operations	\$ 4.92	\$ 6.46	(24) %	\$ 11.95	\$ 11.71	2 %
Discontinued operations	—	(0.04)	(100)	—	(0.03)	(100)
Total	<u>\$ 4.92</u>	<u>\$ 6.42</u>	(23) %	<u>\$ 11.95</u>	<u>\$ 11.68</u>	2 %
<b>Weighted-average diluted common shares outstanding</b>						
	134.8	144.1	(6) %	135.7	145.0	(6) %

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

bp - basis points

**McKESSON CORPORATION**  
**FINANCIAL REVIEW (CONTINUED)**  
**(UNAUDITED)**

***Revenues***

Revenues increased for the three and six months ended September 30, 2023 compared to the same prior year periods largely due to market growth in our U.S. Pharmaceutical segment, including higher volumes from retail national account customers and growth in specialty pharmaceuticals. Market growth includes growing drug utilization, price increases, and newly launched products, partially offset by price deflation associated with branded to generic drug conversion. This revenue growth was partially offset by lower revenues in our International segment driven by the completed divestiture of our E.U. disposal group and unfavorable effects of foreign currency exchange fluctuations.

***Gross Profit***

Gross profit decreased for the three and six months ended September 30, 2023 compared to the same prior year periods primarily driven by the completed divestiture of our E.U. disposal group and unfavorable effects of foreign currency exchange fluctuations in our International segment, offset by growth of specialty pharmaceuticals, our share of antitrust legal settlements received in the first half of fiscal 2024, and increased contributions from our generics programs in our U.S. Pharmaceutical segment, and increased technology services revenue from higher volumes in our RxTS segment.

We recognized gains of \$79 million and \$197 million for the three and six months ended September 30, 2023, respectively, related to our share of antitrust legal settlements. We recognized these amounts within "Cost of sales" in the Condensed Consolidated Statements of Operations within our U.S. Pharmaceutical segment.

A last-in, first-out ("LIFO") inventory charge of \$55 million and a credit of \$23 million were recognized during the three months ended September 30, 2023 and 2022, respectively, and a charge of \$87 million and a credit of \$36 million were recognized during the six months ended September 30, 2023 and 2022, respectively. A LIFO charge in the first half of fiscal 2024 compared to a LIFO credit in the same prior year period was primarily due to higher estimated brand inflation and higher brand inventory levels as well as lower estimated generics deflation.

Our U.S. Pharmaceutical business uses the LIFO method of accounting for the majority of its inventories, which results in cost of sales that more closely reflects replacement cost than under other accounting methods. The business' practice is to pass on to customers published price changes from suppliers. Manufacturers generally provide us with price protection, which limits price related inventory losses. A LIFO charge is recognized when the net effect of price increases on pharmaceutical and non-pharmaceutical products held in inventory exceeds the impact of price declines, including the effect of branded pharmaceutical products that have lost market exclusivity. A LIFO credit is recognized when the net effect of price declines exceeds the impact of price increases on pharmaceutical and non-pharmaceutical products held in inventory. Our quarterly LIFO adjustment is based on our estimates of the annual LIFO credit which is impacted by expected changes in year-end inventory quantities, product mix, and manufacturer pricing practices, which may be influenced by market and other external factors. Changes to any of the above factors could have a material impact to our annual LIFO adjustment. The actual valuation of inventory under the LIFO method is calculated at the end of the fiscal year.

***Total Operating Expenses***

A summary of the components of our total operating expenses for the three and six months ended September 30, 2023 and 2022 is as follows:

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



**McKESSON CORPORATION**  
**FINANCIAL REVIEW (CONTINUED)**  
**(UNAUDITED)**

	Three Months Ended September 30,			Six Months Ended September 30,		
	2023	2022	Change	2023	2022	Change
<i>(Dollars in millions)</i>						
Selling, distribution, general, and administrative expenses	\$ 2,092	\$ 1,950	7 %	\$ 3,962	\$ 3,909	1 %
Claims and litigation charges, net	(2)	(9)	(78)	(2)	(4)	(50)
Restructuring, impairment, and related charges, net	28	30	(7)	80	53	51
Total operating expenses	\$ 2,118	\$ 1,971	7 %	\$ 4,040	\$ 3,958	2 %
Percent of revenues	2.74 %	2.81 %	(7) bp	2.66 %	2.88 %	(22) bp

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

bp - basis points

For the three and six months ended September 30, 2023, total operating expenses increased, and total operating expenses as a percentage of revenues decreased, compared to the same prior year periods. Total operating expenses were impacted by the following significant items:

- SDG&A for the three and six months ended September 30, 2023 was impacted by lower operating expenses from the completed divestiture of our E.U. disposal group in fiscal 2023;
- SDG&A for the three and six months ended September 30, 2023 includes a provision for bad debts of \$210 million related to the bankruptcy of Rite Aid in October 2023. Refer to Financial Note 13, "Subsequent Events," to the accompanying condensed consolidated financial statements included in this Quarterly Report;
- Claims and litigation charges, net was not material. Refer to the Opioid-Related Litigation and Claims section of "Trends and Uncertainties" for further discussion;
- Restructuring, impairment, and related charges, net were \$28 million and \$30 million, respectively, for the three months ended September 30, 2023 and 2022 and \$80 million and \$53 million, respectively, for the six months ended September 30, 2023 and 2022, as discussed in more detail below under "Restructuring Initiatives;" and
- Total operating expenses were favorably impacted by foreign currency exchange fluctuations for the three and six months ended September 30, 2023.

#### *Goodwill Impairment*

We evaluate goodwill for impairment on an annual basis in the first fiscal quarter, and at an interim date if indicators of potential impairment exist. The annual impairment testing performed in fiscal 2024 and fiscal 2023 did not indicate any impairment of goodwill and no goodwill impairment charges were recorded during the three and six months ended September 30, 2023 and 2022. However, other risks, expenses, and future developments, such as additional government actions, increased regulatory uncertainty, and material changes in key market assumptions limit our ability to estimate projected cash flows, which could adversely affect the fair value of various reporting units in future periods, including our McKesson Canada reporting unit within our International segment, where the risk of a material goodwill impairment is higher than other reporting units.

#### *Restructuring Initiatives*

We recorded restructuring, impairment, and related charges of \$28 million and \$30 million for the three months ended September 30, 2023 and 2022, respectively, and \$80 million and \$53 million for the six months ended September 30, 2023 and 2022, respectively. These charges were included in "Restructuring, impairment, and related charges, net" in the Condensed Consolidated Statements of Operations.



**McKESSON CORPORATION**  
**FINANCIAL REVIEW (CONTINUED)**  
**(UNAUDITED)**

During the fourth quarter of fiscal 2023, we approved a broad set of initiatives to drive operational efficiencies and increase cost optimization efforts, with the intent of simplifying our infrastructure and realizing long-term sustainable growth. These initiatives include headcount reductions and the exit or downsizing of certain facilities. We anticipate total charges of approximately \$125 million across our RxTS and U.S. Pharmaceutical segments as well as Corporate, consisting primarily of employee severance and other employee-related costs, facility and other exit-related costs, as well as long-lived asset impairments. Of this amount, \$99 million of cumulative charges were recorded through September 30, 2023. For the three and six months ended September 30, 2023, we recorded charges of \$3 million and \$39 million related to this program, respectively, which primarily includes real estate and other related asset impairments and facility costs within Corporate. This restructuring program is anticipated to be substantially complete by the end of fiscal 2024.

Refer to Financial Note 3, “Restructuring, Impairment, and Related Charges, Net,” to the accompanying condensed consolidated financial statements included in this Quarterly Report for further information on our restructuring initiatives.

***Other Income, Net***

Other income, net decreased for the three and six months ended September 30, 2023 compared to the same prior year periods primarily due to a gain of \$142 million recognized in July 2022 related to the exit of one of our investments in equity securities held within our U.S. Pharmaceutical segment, partially offset by a favorable impact to interest income from higher interest rates on certain of our cash balances compared to the prior year periods.

***Interest Expense***

Interest expense increased for the three and six months ended September 30, 2023 compared to the same prior year periods primarily due to the impact of higher interest rates on our debt and derivative portfolios. For the six months ended September 30, 2023, the increase in interest expense was partially offset by a \$9 million gain on debt extinguishment in the first quarter of fiscal 2024. Refer to Financial Note 7, “Debt and Financing Activities,” to the accompanying condensed consolidated financial statements included in this Quarterly Report for more information. Interest expense may fluctuate based on timing, amounts, and interest rates of term debt repaid and new term debt issued, as well as amounts incurred associated with financing fees.

***Income Tax Expense***

For the three months ended September 30, 2023 and 2022, we recorded income tax expense of \$213 million and \$271 million, respectively. For the six months ended September 30, 2023 and 2022, we recorded income tax expense of \$307 million and \$470 million, respectively. Our reported income tax rates were 23.3% and 21.8% for the three months ended September 30, 2023 and 2022, respectively, and 15.3% and 20.9% for the six months ended September 30, 2023 and 2022, respectively.

Fluctuations in our reported income tax rates are primarily due to changes in our business mix of earnings between various taxing jurisdictions and discrete tax items recognized in the quarters, including a net discrete tax benefit of \$147 million recognized in the six months ended September 30, 2023 primarily related to the repatriation of certain intellectual property between McKesson wholly-owned legal entities that are based in different tax jurisdictions. Refer to Financial Note 4, “Income Taxes,” to the accompanying condensed consolidated financial statements included in this Quarterly Report for more information.

***Loss from Discontinued Operations, Net of Tax***

Loss from discontinued operations, net of tax, was \$6 million and \$4 million for the three and six months ended September 30, 2022, respectively. Subsequent to our divestiture of the E.U. disposal group in October 2022, we no longer have discontinued operations.

***Net Income Attributable to Noncontrolling Interests***

Net income attributable to noncontrolling interests for the three and six months ended September 30, 2023 and 2022 primarily represents the proportionate results of third-party equity interests in the Company’s consolidated entities of ClarusONE Sourcing Services LLP and Vantage Oncology Holdings, LLC. For the three and six months ended September 30, 2023, net income attributable to noncontrolling interests also includes the proportionate results of third-party equity interest in SCRI Oncology, LLC.

**McKESSEON CORPORATION**  
**FINANCIAL REVIEW (CONTINUED)**  
**(UNAUDITED)**

***Net Income Attributable to McKesson Corporation***

Net income attributable to McKesson Corporation was \$664 million and \$926 million for the three months ended September 30, 2023 and 2022, respectively, and \$1.6 billion and \$1.7 billion for the six months ended September 30, 2023 and 2022, respectively. Diluted earnings per common share attributable to McKesson Corporation was \$4.92 and \$6.42 for the three months ended September 30, 2023 and 2022, respectively, and \$11.95 and \$11.68 for the six months ended September 30, 2023 and 2022, respectively. Our diluted earnings per share also reflects the cumulative effects of share repurchases during each period.

***Weighted-Average Diluted Common Shares Outstanding***

Diluted earnings per common share was calculated based on a weighted-average number of shares outstanding of 134.8 million and 144.1 million for the three months ended September 30, 2023 and 2022, respectively, and 135.7 million and 145.0 million for the six months ended September 30, 2023 and 2022, respectively. Weighted-average diluted shares outstanding for the three and six months ended September 30, 2023 decreased from the same prior year periods primarily due to the cumulative effect of share repurchases.

***Overview of Segment Results:***

***Segment Revenues:***

(Dollars in millions)	<b>Three Months Ended September 30,</b>		<b>Change</b>	<b>Six Months Ended September 30,</b>		<b>Change</b>
	<b>2023</b>	<b>2022</b>		<b>2023</b>	<b>2022</b>	
<b>Segment revenues</b>						
U.S. Pharmaceutical	\$ 69,766	\$ 60,059	16 %	\$136,926	\$117,006	17 %
Prescription Technology Solutions	1,140	1,018	12	2,384	2,084	14
Medical-Surgical Solutions	2,834	2,843	—	5,445	5,435	—
International	3,475	6,237	(44)	6,943	12,786	(46)
Total revenues	\$ 77,215	\$ 70,157	10 %	\$151,698	\$137,311	10 %

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

***U.S. Pharmaceutical***

***Three Months Ended September 30, 2023 vs. 2022***

U.S. Pharmaceutical revenues for the three months ended September 30, 2023 increased \$9.7 billion or 16% compared to the same prior year period. Within the segment, sales to pharmacies and institutional healthcare providers increased \$8.8 billion and sales to specialty practices and other increased \$870 million. Overall, these increases were primarily due to market growth, including higher volumes from retail national account customers and growth in specialty pharmaceuticals, and branded pharmaceutical price increases, partially offset by branded to generic drug conversions and unfavorability from one less sales day compared to the same prior year period.

***Six Months Ended September 30, 2023 vs. 2022***

U.S. Pharmaceutical revenues for the six months ended September 30, 2023 increased \$19.9 billion or 17% compared to the same prior year period. Within the segment, sales to pharmacies and institutional healthcare providers increased \$18.4 billion and sales to specialty practices and other increased \$1.5 billion. Overall, these increases were primarily due to market growth, including higher volumes from retail national account customers and growth in specialty pharmaceuticals, and branded pharmaceutical price increases, partially offset by branded to generic drug conversions and unfavorability from one less sales day compared to the same prior year period.

**McKESSON CORPORATION**  
**FINANCIAL REVIEW (CONTINUED)**  
**(UNAUDITED)**

***Prescription Technology Solutions***

Three Months Ended September 30, 2023 vs. 2022

RxTS revenues for the three months ended September 30, 2023 increased \$122 million or 12% compared to the same prior year period due to higher technology service revenues and increased volumes primarily in our third-party logistics and wholesale distribution services.

Six Months Ended September 30, 2023 vs. 2022

RxTS revenues for the six months ended September 30, 2023 increased \$300 million or 14% compared to the same prior year period due to higher technology service revenues and increased volumes primarily in our third-party logistics and wholesale distribution services.

***Medical-Surgical Solutions***

Three Months Ended September 30, 2023 vs. 2022

Medical-Surgical Solutions revenues for the three months ended September 30, 2023 decreased \$9 million compared to the same prior year period. Within the segment, Other sales declined \$45 million driven by lower contribution from the kitting and distribution of ancillary supplies used to administer COVID-19 vaccines, and sales to primary care customers decreased \$16 million. The decrease in our primary care business was driven by lower sales of COVID-19 tests, largely offset by underlying business growth. These decreases were partially offset by sales to our extended care customers which increased by \$52 million.

Six Months Ended September 30, 2023 vs. 2022

Medical-Surgical Solutions revenues for the six months ended September 30, 2023 increased \$10 million compared to the same prior year period. Within the segment, sales to extended care customers increased \$128 million. Other sales declined \$98 million driven by lower contribution from the kitting and distribution of ancillary supplies used to administer COVID-19 vaccines, and sales to primary care customers decreased \$20 million driven by lower sales of COVID-19 tests largely offset by underlying business growth.

***International***

Three Months Ended September 30, 2023 vs. 2022

International revenues for the three months ended September 30, 2023 decreased \$2.8 billion or 44%, including unfavorable effects of foreign currency exchange fluctuations of \$100 million, compared to the same prior year period. Within the segment, sales in Europe declined by \$2.8 billion largely due to the completed divestiture of our E.U. disposal group in the third quarter of fiscal 2023, partially offset by increased sales in Canada of \$154 million which was primarily driven by higher pharmaceutical distribution volumes.

Six Months Ended September 30, 2023 vs. 2022

International revenues for the six months ended September 30, 2023 decreased \$5.8 billion or 46%, including unfavorable effects of foreign currency exchange fluctuations of \$299 million, compared to the same prior year period. Within the segment, sales in Europe declined by \$5.9 billion largely due to the completed divestiture of our E.U. disposal group in the third quarter of fiscal 2023, partially offset by increased sales in Canada of \$392 million which was primarily driven by higher pharmaceutical distribution volumes.

**McKESSON CORPORATION**  
**FINANCIAL REVIEW (CONTINUED)**  
**(UNAUDITED)**

***Segment Operating Profit (Loss) and Corporate Expenses, Net:***

(Dollars in millions)	Three Months Ended September 30,			Six Months Ended September 30,		
	2023	2022	Change	2023	2022	Change
<b>Segment operating profit (loss) <sup>(1)</sup></b>						
U.S. Pharmaceutical <sup>(2)</sup>	\$ 593	\$ 896	(34) %	\$ 1,420	\$ 1,592	(11) %
Prescription Technology Solutions <sup>(3)</sup>	238	120	98	469	264	78
Medical-Surgical Solutions	244	299	(18)	471	555	(15)
International <sup>(4)</sup>	66	(37)	278	123	(43)	386
Subtotal	1,141	1,278	(11)	2,483	2,368	5
Corporate expenses, net <sup>(5)</sup>	(164)	21	(881)	(368)	(18)	—
Interest expense	(61)	(55)	11	(108)	(100)	8
Income from continuing operations before income taxes	<u>\$ 916</u>	<u>\$ 1,244</u>	<u>(26) %</u>	<u>\$ 2,007</u>	<u>\$ 2,250</u>	<u>(11) %</u>
<b>Segment operating profit (loss) margin</b>						
U.S. Pharmaceutical	0.85 %	1.49 %	(64) bp	1.04 %	1.36 %	(32) bp
Prescription Technology Solutions	20.88	11.79	909	19.67	12.67	700
Medical-Surgical Solutions	8.61	10.52	(191)	8.65	10.21	(156)
International	1.90	(0.59)	249	1.77	(0.34)	211

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

bp - basis points

- (1) Segment operating profit (loss) includes gross profit, net of total operating expenses, as well as other income, net, for our reportable segments.
- (2) Operating profit for our U.S. Pharmaceutical segment includes the following:
  - a provision for bad debts of \$210 million for the three and six months ended September 30, 2023 related to the bankruptcy of Rite Aid in October 2023, as discussed in more detail in Financial Note 13, “Subsequent Events,” to the accompanying condensed consolidated financial statements included in this Quarterly Report;
  - cash receipts for our share of antitrust legal settlements of \$79 million and \$197 million for the three and six months ended September 30, 2023, respectively;
  - a charge of \$55 million and a credit of \$23 million related to the LIFO method of accounting for inventories for the three months ended September 30, 2023 and 2022, respectively; and a charge of \$87 million and a credit of \$36 million for the six months ended September 30, 2023 and 2022, respectively; and
  - a gain of \$142 million for the three and six months ended September 30, 2022 related to the exit of one of our investments in equity securities in July 2022.
- (3) Operating profit for our RxTS segment for the three and six months ended September 30, 2023 includes fair value adjustment gains of \$48 million and \$76 million, respectively, which reduced our contingent consideration liability related to the RxSS acquisition, as discussed in more detail in Financial Note 2, “Business Acquisitions and Divestitures,” to the accompanying condensed consolidated financial statements included in this Quarterly Report.
- (4) Operating loss for our International segment for the three and six months ended September 30, 2022 includes charges of \$143 million and \$237 million, respectively, to remeasure the assets and liabilities of our E.U. disposal group to fair value less costs to sell, as discussed in more detail in Financial Note 2, “Business Acquisitions and Divestitures,” to the accompanying condensed consolidated financial statements included in this Quarterly Report.
- (5) Corporate expenses, net includes the following:
  - restructuring charges of \$46 million for the six months ended September 30, 2023 for restructuring initiatives as discussed in more detail in Financial Note 3, “Restructuring, Impairment, and Related Charges, Net,” to the accompanying condensed consolidated financial statements included in this Quarterly Report; and
  - gains of \$166 million and \$272 million for the three and six months ended September 30, 2022, respectively, primarily related to the effect of accumulated other comprehensive loss components from our E.U. disposal group, as discussed in more detail in Financial Note 2, “Business Acquisitions and Divestitures,” to the accompanying condensed consolidated financial statements included in this Quarterly Report.

**McKESSON CORPORATION**  
**FINANCIAL REVIEW (CONTINUED)**  
**(UNAUDITED)**

***U.S. Pharmaceutical***

Three Months Ended September 30, 2023 vs. 2022

Operating profit for this segment decreased for the three months ended September 30, 2023 compared to the same prior year period primarily due to a provision for bad debts of \$210 million related to the bankruptcy of Rite Aid in October 2023, a fiscal 2023 gain of \$142 million related to the exit of one of our investments in equity securities, a LIFO charge compared to a credit in the same prior year period, and an increase in operating expenses to support higher volumes, partially offset by growth in specialty pharmaceuticals and an increase from net cash proceeds received of \$79 million representing our share of antitrust legal settlements.

Six Months Ended September 30, 2023 vs. 2022

Operating profit for this segment decreased for the six months ended September 30, 2023 compared to the same prior year period primarily due to a provision for bad debts of \$210 million related to the bankruptcy of Rite Aid in October 2023, a gain of \$142 million related to the exit of one of our investments in equity securities in fiscal 2023, a LIFO charge in the first half of fiscal 2024 compared to a credit in the same prior year period, and an increase in operating expenses to support higher volumes, partially offset by growth in specialty pharmaceuticals and an increase from net cash proceeds received of \$197 million representing our share of antitrust legal settlements.

***Prescription Technology Solutions***

Three Months Ended September 30, 2023 vs. 2022

Operating profit for this segment increased for the three months ended September 30, 2023 compared to the same prior year period driven by increased volumes from our access solutions, primarily related to electronic prior authorization services, and a fair value adjustment gain which reduced our contingent consideration liability related to the RxSS acquisition.

Six Months Ended September 30, 2023 vs. 2022

Operating profit for this segment increased for the six months ended September 30, 2023 compared to the same prior year period driven by increased volumes, primarily from growth in our access solutions related to electronic prior authorization services, and fair value adjustment gains which reduced our contingent consideration liability related to the RxSS acquisition.

***Medical-Surgical Solutions***

Three Months Ended September 30, 2023 vs. 2022

Operating profit for this segment decreased for the three months ended September 30, 2023 compared to the same prior year period due to a lower contribution from kitting and distribution of ancillary supplies for COVID-19 vaccines and COVID-19 tests, partially offset by growth in our extended care business.

Six Months Ended September 30, 2023 vs. 2022

Operating profit for this segment decreased for the six months ended September 30, 2023 compared to the same prior year period due to a lower contribution from kitting and distribution of ancillary supplies for COVID-19 vaccines and COVID-19 tests and higher employee-related expenses to support business growth, partially offset by growth in our extended care and primary care businesses.

***International***

Three Months Ended September 30, 2023 vs. 2022

Operating profit for this segment for the three months ended September 30, 2023 compared to an operating loss in the same prior year period was primarily as a result of remeasurement charges recorded in the prior year related to the E.U. disposal group, partially offset by lower contributions from the European operations divested in fiscal 2023.

**McKESSON CORPORATION**  
**FINANCIAL REVIEW (CONTINUED)**  
**(UNAUDITED)**

Six Months Ended September 30, 2023 vs. 2022

Operating profit for this segment for the six months ended September 30, 2023 compared to an operating loss in the same prior year period was primarily as a result of remeasurement charges recorded in the prior year related to the E.U. disposal group, partially offset by lower contributions from the European operations divested in fiscal 2023.

***Corporate Expenses, Net***

Three Months Ended September 30, 2023 vs. 2022

Corporate expenses, net increased for the three months ended September 30, 2023 compared to the same prior year period primarily as a result of remeasurement gains recorded in the prior year related to the E.U. disposal group.

Six Months Ended September 30, 2023 vs. 2022

Corporate expenses, net increased for the six months ended September 30, 2023 compared to the same prior year period primarily as a result of remeasurement gains recorded in the prior year related to the E.U. disposal group, and higher restructuring charges recorded in fiscal 2024. This was partially offset by a favorable impact to interest income from higher interest rates on certain of our cash balances compared to the prior year period.

**Business Combinations**

Refer to Financial Note 2, “Business Acquisitions and Divestitures,” to the accompanying condensed consolidated financial statements included in this Quarterly Report for our disclosures on business combinations.

**New Accounting Pronouncements**

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



**McKESSON CORPORATION**  
**FINANCIAL REVIEW (CONTINUED)**  
**(UNAUDITED)**

**FINANCIAL CONDITION, LIQUIDITY, AND CAPITAL RESOURCES**

We expect our available cash generated from operations and our short-term investment portfolio, together with our existing sources of liquidity from our credit facilities, commercial paper program, and other borrowings will be sufficient to fund our short-term and long-term capital expenditures, working capital, and other cash requirements. We remain adequately capitalized, including access to liquidity from our \$4.0 billion revolving credit facility. At September 30, 2023, we were in compliance with all debt covenants, and believe we have the ability to continue to meet our debt covenants in the future.

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

<i>(Dollars in millions)</i>	<b>Six Months Ended September 30,</b>		<b>Change</b>
	<b>2023</b>	<b>2022</b>	
Net cash provided by (used in):			
Operating activities	\$ (87)	\$ 166	\$ (253)
Investing activities	(315)	116	(431)
Financing activities	(1,752)	(1,753)	1
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(1)	24	(25)
Change in cash, cash equivalents, and restricted cash classified as Assets held for sale <sup>(1)</sup>	—	470	(470)
Net change in cash, cash equivalents, and restricted cash	\$ (2,155)	\$ (977)	\$ (1,178)

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

***Operating Activities***

Operating activities used cash of \$87 million and provided cash of \$166 million during the six months ended September 30, 2023 and 2022, respectively. Cash flows from operations can be significantly impacted by factors such as the timing of receipts from customers, inventory receipts, and payments to vendors. Additionally, working capital is primarily a function of sales and purchase volumes, inventory requirements, and vendor payment terms.

Operating activities for the six months ended September 30, 2023 were affected by net income of \$1.7 billion, adjusted for non-cash items, as well as increases in accounts payable of \$4.3 billion, receivables of \$3.2 billion, and inventories of \$2.3 billion, all primarily driven by higher revenues and timing. Our litigation liabilities also decreased by \$529 million due to payments made during the first half of fiscal 2024 associated with various settlement agreements for opioid-related claims of states, subdivisions, and Native American tribes, as discussed in more detail in Financial Note 10, "Commitments and Contingent Liabilities," to the accompanying condensed consolidated financial statements included in this Quarterly Report.

Operating activities for the six months ended September 30, 2022 were affected by net income of \$1.8 billion, adjusted for non-cash items and changes in receivables, drafts and accounts payables, and inventories classified as held for sale, as well as increases in drafts and accounts payable of \$2.3 billion, receivables of \$1.9 billion, and inventories of \$1.5 billion, all primarily driven by higher revenues and timing. Our litigation liabilities also decreased by \$915 million due to payments made during the first half of fiscal 2023 associated with various settlement agreements for opioid-related claims of states, subdivisions, and Native American tribes, as discussed in more detail in Financial Note 10, "Commitments and Contingent Liabilities," to the accompanying condensed consolidated financial statements included in this Quarterly Report.

***Investing Activities***

Investing activities used cash of \$315 million and provided cash of \$116 million during the six months ended September 30, 2023 and 2022, respectively. Investing activities for the six months ended September 30, 2023 and 2022 includes \$264 million and \$222 million, respectively, in capital expenditures for property, plant, and equipment and capitalized software. Investing activities for the six months ended September 30, 2022 reflects proceeds from sales of businesses and investments of \$496 million, including \$202 million of cash from the completed divestiture of our U.K. disposal group in April 2022 and \$179 million of cash from the exit of one of our investments in equity securities in July 2022.



**McKESSON CORPORATION**  
**FINANCIAL REVIEW (CONTINUED)**  
**(UNAUDITED)**

***Financing Activities***

Financing activities used cash of \$1.8 billion during each of the six months ended September 30, 2023 and 2022. On June 15, 2023, we completed a public offering of 4.90% Notes due July 15, 2028 in a principal amount of \$400 million and 5.10% Notes due July 15, 2033 in a principal amount of \$600 million, for proceeds received, net of discounts and offering expenses, of \$397 million and \$592 million, respectively. A portion of the net proceeds from these notes was utilized to fund the repurchase of our 2024 Notes discussed below, while the remaining net proceeds was available for general corporate purposes.

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

Financing activities for each of the six months ended September 30, 2023 and 2022 includes \$1.5 billion of cash paid for share repurchases, as well as \$149 million and \$139 million of cash paid for dividends, respectively. Financing activities also includes cash receipts and repayments of \$2.0 billion and \$100 million for the six months ended September 30, 2023 and 2022, respectively, for short-term borrowings, primarily commercial paper.

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

***Share Repurchase Plans***

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

Effective January 1, 2023, the Company’s repurchase of common stock, adjusted for allowable items, are subject to a 1% excise tax as a result of the IRA. Excise taxes incurred on share repurchases of an entity’s own common stock are direct and incremental costs to purchase treasury stock, and accordingly are included in the total cost basis of the common stock acquired and reflected as a reduction of stockholders’ equity within “Treasury shares” in our Condensed Consolidated Balance Sheets and Condensed Consolidated Statements of Stockholders’ Deficit. Excise taxes do not reduce the Company’s remaining authorization for the repurchase of common stock.

During the three months ended September 30, 2023, we repurchased 2.0 million shares of common stock for \$840 million through open market transactions at an average price per share of \$422.39, of which \$23 million was accrued within “Other accrued liabilities” in the Company’s Condensed Consolidated Balance Sheet for share repurchases that were executed in late September 2023 and settled in early October 2023. During the three months ended June 30, 2023, we repurchased 1.8 million shares of common stock for \$673 million through open market transactions at an average price per share of \$379.14. Excise taxes incurred of \$8 million and \$12 million for the three and six months ended September 30, 2023, respectively, were accrued within “Other accrued liabilities” in the Company’s Condensed Consolidated Balance Sheets for shares repurchased during the first half of fiscal 2024. As of March 31, 2023, we had \$27 million accrued within “Other accrued liabilities” for share repurchases that were executed in late March 2023, which settled in early April 2023.

During the three months ended September 30, 2022, we repurchased 1.5 million shares of common stock for \$524 million through open market transactions at an average price per share of \$355.75. There were no open market share repurchases during the three months ended June 30, 2022.

**McKESSON CORPORATION**  
**FINANCIAL REVIEW (CONTINUED)**  
**(UNAUDITED)**

In May 2022, we entered into an ASR program with a third-party financial institution to repurchase \$1.0 billion shares of common stock. The total number of shares repurchased under this ASR program was 3.1 million shares at an average price per share of \$321.05. We received 2.6 million shares as the initial share settlement, and in August 2022, we received an additional 0.5 million shares upon the completion of this ASR program.

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

In July 2023, the Board approved an increase of \$6.0 billion in the authorization for repurchase of common stock. The total remaining authorization outstanding for repurchases of common stock at September 30, 2023 was \$8.1 billion.

***Selected Measures of Liquidity and Capital Resources***

<i>(Dollars in millions)</i>	<b>September 30, 2023</b>	<b>March 31, 2023</b>
Cash, cash equivalents, and restricted cash	\$ 2,524	\$ 4,679
Working capital	(3,616)	(3,665)
Debt to capital ratio <sup>(1)</sup>	120.3 %	120.5 %

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

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

Our cash and cash equivalents balance as of September 30, 2023 and March 31, 2023 included approximately \$815 million and \$1.3 billion, respectively, of cash held by our subsidiaries outside of the U.S. Our primary intent is to utilize this cash for foreign operations for an indefinite period of time. Although the vast majority of cash held outside the U.S. is available for repatriation, doing so could subject us to foreign withholding taxes and state income taxes. We may remit foreign earnings to the U.S. to the extent it is tax efficient to do so. We do not anticipate the tax impact from remitting these earnings to be material. Following enactment of the 2017 Tax Cuts and Jobs Act, the repatriation of cash to the U.S. is generally no longer taxable for federal income tax purposes.

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

Consolidated working capital increased at September 30, 2023 compared to March 31, 2023 primarily due to an increase in receivables, net and inventories, driven by higher revenues and timing, and a decrease in the current portion of long-term debt largely funded by an issuance of long-term debt in the first quarter of 2024. These were partially offset by an increase in drafts and accounts payable driven by the aforementioned increased revenues and timing, and a decrease in cash and cash equivalents.

Our debt to capital ratio decreased for the six months ended September 30, 2023 due to net income attributable to McKesson for the year and issuance of new long-term debt, partially offset by share repurchases and dividend payments as well as repayments of long-term debt.

**McKESSON CORPORATION**  
**FINANCIAL REVIEW (CONCLUDED)**  
**(UNAUDITED)**

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

*Capital Resources*

We fund our working capital requirements primarily with cash and cash equivalents, proceeds from short-term borrowings from our commercial paper issuances, and longer-term credit agreements and debt offerings. Funds necessary for future debt maturities and our other cash requirements, including any future payments that may be made related to our total estimated litigation liability of \$6.6 billion as of September 30, 2023 payable under the terms of various settlement agreements for opioid-related claims, are expected to be met by existing cash balances, cash flow from operations, existing credit sources, and future borrowings. Long-term debt markets and commercial paper markets, our primary sources of capital after cash flow from operations, are open and accessible to us should we decide to access those markets. Detailed information regarding our debt and financing activities is included in Financial Note 7, “Debt and Financing Activities,” to the accompanying condensed consolidated financial statements included in this Quarterly Report.

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

**CAUTIONARY NOTICE ABOUT FORWARD-LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q, including “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Item 2 of Part I of this report, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act. Forward-looking statements may be identified by their use of terminology such as “believes,” “expects,” “anticipates,” “may,” “will,” “should,” “seeks,” “approximately,” “intends,” “projects,” “plans,” “estimates,” “targets,” or the negative of these words or other comparable terminology. The discussion of financial trends, strategy, plans, assumptions, or intentions may also include forward-looking statements. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those projected, anticipated, or implied. Although it is not possible to predict or identify all such risks and uncertainties, they include, but are not limited to, the factors discussed in the “Risk Factors” section in Item 1A of Part I of the 2023 Annual Report and in our publicly available SEC filings and press releases. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date such statements were first made. Except to the extent required by federal securities laws, we undertake no obligation to publicly release the result of any revisions to any forward-looking statements to reflect events or circumstances after the date the statements are made, or to reflect the occurrence of unanticipated events.

**AVAILABLE INFORMATION**

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

**Item 3. Quantitative and Qualitative Disclosures about Market Risk.**

We believe there has been no material change in our exposure to risks associated with fluctuations in interest and foreign currency exchange rates as disclosed in our Annual Report on Form 10-K for the fiscal year ended March 31, 2023.

**Item 4. Controls and Procedures.**

Our Chief Executive Officer and our Chief Financial Officer, with the participation of other members of the Company's management, have evaluated the effectiveness of the Company's "disclosure controls and procedures" (as such term is defined in Exchange Act Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 ("Exchange Act")) as of the end of the period covered by this quarterly report, and our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures are effective based on their evaluation of these controls and procedures as required by paragraph (b) of Exchange Act Rules 13a-15 or 15d-15.

There were no changes in our "internal control over financial reporting" (as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) identified in connection with the evaluation required by paragraph (d) of Exchange Act Rules 13a-15 and 15d-15 that occurred during the three months ended September 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II—OTHER INFORMATION****Item 1. Legal Proceedings.**

The information set forth in Financial Note 10, "Commitments and Contingent Liabilities," to the accompanying condensed consolidated financial statements included in this Quarterly Report on Form 10-Q, and in Financial Note 17, "Commitments and Contingent Liabilities," to the consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2023, is incorporated herein by reference. Disclosure of an environmental proceeding with a governmental agency generally is included only if we expect monetary sanctions in the proceeding to exceed \$1 million, unless otherwise material.

**Item 1A. Risk Factors.**

Other than factual updates discussed in this Quarterly Report on Form 10-Q, there have been no material changes for the period covered by this Quarterly Report on Form 10-Q to the risk factors disclosed in Part I of Item 1A of our Annual Report on Form 10-K for the fiscal year ended March 31, 2023.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

Our Board of Directors has authorized the repurchase of common stock. We may effect stock repurchases from time-to-time through open market transactions, privately negotiated transactions, accelerated share repurchase programs, or by combinations of such methods, any of which may use pre-arranged trading plans that are designed to meet the requirements of Rule 10b5-1(c) of the Exchange Act. The timing of any repurchases and the actual number of shares repurchased will depend on a variety of factors, including our stock price, corporate and regulatory requirements, tax implications, restrictions under our debt obligations, other uses for capital, impacts on the value of remaining shares, and market and economic conditions.

Refer to Financial Note 11, "Stockholders' Deficit," to the accompanying condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for a full discussion of the Company's share repurchases for the three and six months ended September 30, 2023 and 2022.

## McKESSON CORPORATION

The following table provides information on the Company's share repurchases during the three months ended September 30, 2023:

	Share Repurchases <sup>(1)</sup>			
	Total Number of Shares Purchased	Average Price Paid Per Share <sup>(2)</sup>	Total Number of Shares Purchased as Part of a Publicly Announced Program <sup>(3)</sup>	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Programs <sup>(2)</sup>
<i>(In millions, except price per share)</i>				
July 1, 2023 – July 31, 2023	0.5	\$ 404.91	0.5	\$ 8,730
August 1, 2023 – August 31, 2023	0.9	422.72	0.9	8,365
September 1, 2023 – September 30, 2023	0.6	424.06	0.6	8,111
Total	2.0		2.0	

- (1) This table does not include the value of equity awards surrendered to satisfy tax withholding obligations or forfeitures of equity awards.
- (2) The average price paid per share and the remaining authorization outstanding for repurchases of common stock excludes \$8 million of excise taxes incurred on share repurchases for the three months ended September 30, 2023. The remaining authorization outstanding also excludes \$4 million of excise taxes incurred on share repurchases for the three months ended June 30, 2023.
- (3) In July 2022 and July 2023, the Board authorized the Company to repurchase up to an additional \$4.0 billion and \$6.0 billion shares of common stock, respectively, both of which have no expiration date.

### Item 3. Defaults Upon Senior Securities.

None.

### Item 4. Mine Safety Disclosures.

Not applicable.

### Item 5. Other Information.

#### Pre-arranged Trading Plans

The following discussion includes trading arrangements adopted, modified, or terminated by our directors and officers during the three months ended September 30, 2023.

On August 16, 2023, Nancy Avila, formerly our Executive Vice President, Chief Information Officer and Chief Technology Officer, adopted a Rule 10b5-1 trading arrangement for the sale of up to 6,756 shares of the Company's common stock. The duration of the trading arrangement is until August 12, 2024, or earlier if all transactions under the trading arrangement are completed or if the trading arrangement is otherwise terminated according to its terms. The trading arrangement was entered into during a trading window period and Ms. Avila represented to us that she intended for it to satisfy the requirements for the affirmative defense of Rule 10b5-1(c) of the Exchange Act. The number of shares subject to the arrangement includes shares that may be withheld by the Company to satisfy income tax withholding and remittance obligations in connection with the net settlement of equity awards.

On August 17, 2023, Lori Schechter, our Executive Vice President, Chief Legal Officer and General Counsel, adopted a Rule 10b5-1 trading arrangement for the sale of up to 11,471 shares of the Company's common stock. The duration of the trading arrangement is until August 19, 2024, or earlier if all transactions under the trading arrangement are completed or if the trading arrangement is otherwise terminated according to its terms. The trading arrangement was entered into during a trading window period and Ms. Schechter represented to us that she intended for it to satisfy the requirements for the affirmative defense of Rule 10b5-1(c) of the Exchange Act. The number of shares subject to the arrangement includes shares that may be withheld by the Company to satisfy income tax withholding and remittance obligations in connection with the net settlement of equity awards.

**McKESSON CORPORATION****Item 6. Exhibits.**

Exhibits identified in parentheses below are on file with the SEC and are incorporated by reference as exhibits hereto.

<b><u>Exhibit Number</u></b>	<b><u>Description</u></b>
10.1†*	<a href="#"><u>Forms of Statement of Terms and Conditions and Grant Notices Applicable to Awards Pursuant to the McKesson Corporation 2022 Stock Plan, effective October 23, 2023.</u></a>
10.2†*	<a href="#"><u>Form of Statement of Terms and Conditions Applicable to Awards Pursuant to the McKesson Corporation Management Incentive Plan, effective October 23, 2023.</u></a>
31.1†	<a href="#"><u>Certification of the Chief Executive Officer Pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
31.2†	<a href="#"><u>Certification of the Chief Financial Officer Pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
32††	<a href="#"><u>Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
101	The following materials from the McKesson Corporation Quarterly Report on Form 10-Q for the quarter ended September 30, 2023, formatted in Inline Extensible Business Reporting Language (iXBRL): (i) Condensed Consolidated Statements of Operations, (ii) Condensed Consolidated Statements of Comprehensive Income, (iii) Condensed Consolidated Balance Sheets, (iv) Condensed Consolidated Statements of Stockholders' Equity (Deficit), (v) Condensed Consolidated Statements of Cash Flows, and (vi) related Financial Notes.
104	Cover Page Interactive Data File (formatted as iXBRL and contained in Exhibit 101).

\* Management contract or compensation plan or arrangement in which directors and/or executive officers are eligible to participate.

† Filed herewith.

†† Furnished herewith.

**McKESSON CORPORATION**

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

McKESSON CORPORATION

Date: November 1, 2023

/s/ Britt J. Vitalone

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**Britt J. Vitalone**

Executive Vice President and Chief Financial Officer

McKESSON CORPORATION

Date: November 1, 2023

/s/ Napoleon B. Rutledge Jr.

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**Napoleon B. Rutledge Jr.**

Senior Vice President and Controller



**OUTSIDE DIRECTOR  
Div Equiv Cash****McKESSON CORPORATION  
STATEMENT OF TERMS AND CONDITIONS APPLICABLE TO  
RESTRICTED STOCK UNITS GRANTED TO  
OUTSIDE DIRECTORS PURSUANT TO THE 2022 STOCK PLAN****I. INTRODUCTION**

The following terms and conditions shall apply to Restricted Stock Unit Awards granted under the Plan and are subject to the terms and conditions of the Plan. This Statement of Terms and Conditions is intended to meet the requirements of Code Section 409A and any regulations and rules promulgated thereunder. In the event of any inconsistency between this Statement of Terms and Conditions and the Plan, the Plan shall govern. Capitalized terms not otherwise defined in this Statement of Terms and Conditions shall have the meaning set forth in the Plan.

**II. RESTRICTED STOCK UNITS**

1. Award Agreement. A Restricted Stock Unit Award granted to an Outside Director under the Plan shall be evidenced by a Restricted Stock Unit Agreement to be executed by the Outside Director and the Corporation setting forth the terms and conditions of the Restricted Stock Unit Award. Each Restricted Stock Unit Grant Notice shall incorporate by reference and be subject to this Statement of Terms and Conditions, including the special terms and conditions in the Appendix for the Outside Director's country (if any) which forms part of this Statement of Terms and Conditions, and together both documents shall constitute the Restricted Stock Unit Agreement. The Restricted Stock Units are also subject to the terms and conditions of the Plan.

2. Terms and Conditions. The Administrator administering the Plan has authority to determine the Outside Directors to whom, and the time or times at which, grants of Restricted Stock Units will be made, the number of Units to be awarded, and all other terms and conditions of such awards. With respect to annual Restricted Stock Unit Awards granted to Outside Directors under the Plan, such awards shall be subject to the following terms, conditions and restrictions.

(A) Grant Date. Each Outside Director may be granted a Restricted Stock Unit Award on the date of each annual meeting of stockholders. An Outside Director that is elected to the Board between annual meetings of stockholders may also be granted a Restricted Stock Unit Award on the date that the Board determines in its sole discretion.

(B) Number of Restricted Stock Units. Unless otherwise determined by the Board or the Governance Committee of the Board (the "Governance Committee"), the number of Restricted Stock Units ("Units") granted for the annual meeting grant will be determined by dividing the Fair Market Value of a Share on the date of grant into \$200,000 (with any fractional Unit rounded up to the nearest whole Unit). In addition to such grant, unless otherwise determined by the Board or the Governance Committee, the Independent Chair shall be granted an annual meeting grant determined by dividing the Fair Market Value of a Share on the date of grant into \$120,000 (with any fractional Unit rounded up to the nearest whole Unit). Notwithstanding the foregoing, in no event shall the aggregate number of Units granted to any Outside Director pursuant to such annual meeting grant or grants exceed 5,000. A newly elected Outside Director may receive a prorated annual meeting grant effective upon the date of the Outside Director's election to the Board.

(C) No Restrictions. Each Restricted Stock Unit Award granted to an Outside Director will be fully vested on the date of grant.

3. Dividend Equivalents. Dividend equivalents in respect of Restricted Stock Units, if granted in tandem with such Units, will be credited on behalf of an Outside Director to a deferred cash account until such time as the underlying Shares are issued.

4. Assignability. An Outside Director shall not be permitted to sell, transfer, pledge, assign or encumber Restricted Stock Units, other than pursuant to a qualified domestic relations order as defined in the Code or Title I of the U.S. Employee Retirement Income Security Act.

5. No Stockholder Rights. Neither an Outside Director nor any person entitled to exercise an Outside Director's rights in the event of the Outside Director's death shall have any of the rights of a stockholder with respect to a Restricted Stock Unit Award except to the extent that a book entry has been entered in the records of the Corporation's transfer agent with respect to the underlying Shares paid upon the settlement of any Restricted Stock Unit Award as described in Section II.6 below.

6. Time of Payment of Restricted Stock Units. Except as noted in Section II.7 below, Restricted Stock Units granted to Outside Directors shall not be paid until after the Outside Director's separation of service with the Corporation ("Automatic Deferral Requirement"). "Separation from service" shall have the meaning provided under the McKesson Corporation Deferred Compensation Administration Plan III ("DCAP III"). Payment shall be made in Shares in the form of an appropriate book entry entered in the records of the Corporation's transfer agent recording the Outside Director's unrestricted interest in the number of Shares subject to the Restricted Stock Unit Award.

7. Satisfaction of Director Stock Ownership Guidelines. For those Outside Directors who have met the Director Stock Ownership Guidelines in effect at the time, Restricted Stock Unit grants shall not be subject to the Automatic Deferral Requirement and such grants will be immediately converted into Shares and distributed to the Outside Director; provided, however, that the Outside Director may elect to defer receipt of the Shares underlying the Restricted Stock Units.

8. Deferrals of Restricted Stock Units. Deferrals of Restricted Stock Units, whether elective or pursuant to the Automatic Deferral Requirement, shall be subject to the terms and conditions of DCAP III.

### **III. MISCELLANEOUS**

1. No Effect on Terms of Service with the Corporation. Nothing contained in this Statement of Terms and Conditions, the Plan or a Restricted Stock Unit Agreement shall affect the Corporation's right to terminate the service of any Outside Director.

2. Grants to Outside Directors in Foreign Countries. If an Outside Director is not a United States citizen or resident, the Board has the full discretion to deviate from this Statement of Terms and Conditions in order to adjust a Restricted Stock Unit Award to prevailing local conditions, including custom and legal and tax requirements. Furthermore, the Corporation reserves the right to impose other requirements on the Outside Director's participation in the Plan, on the Award and on any Shares acquired under the Plan, to the extent the Corporation determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require the Outside Director to sign any additional agreements or undertaking that may be necessary to accomplish the foregoing.

3. Information Notification. Any information required to be given under the terms of a Restricted Stock Unit Award shall be addressed to the Corporation in care of its Corporate Secretary at McKesson Corporation, 6555 North State Highway 161, Irving, Texas 75039, and any notice to be given to an Outside Director shall be addressed to the Outside Director at the address indicated beneath the Outside Director's name on the Restricted Stock Unit Agreement or such other address as either party may designate in writing to the other. Any such notice shall be deemed to have been duly given when enclosed in a properly sealed envelope or wrapper addressed as aforesaid, registered or certified and deposited (postage or registration or certification fee prepaid) in a post office or branch post office. The parties may use email delivery, so long as the message is clearly marked, sent to the email address(es) set forth herein. Email delivery will be deemed to occur when the sender receives confirmation that such message has been received and read by the recipient. Emails to the Corporation shall be delivered to CorpSecretary@McKesson.com.

4. Electronic Delivery. The Corporation may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Corporation or a third party designated by the Corporation.

5. Administrator Decisions Conclusive. All decisions of the Administrator administering the Plan upon any questions arising under the Plan, under this Statement of Terms and Conditions, or under a Restricted Stock Unit Agreement, shall be conclusive and binding on all persons.

6. No Effect on Other Benefit Plans. Nothing herein contained shall affect an Outside Director's right, if any, to participate in and receive benefits from and in accordance with the then current provisions of any benefit plan or program offered by the Corporation.

7. Withholding. Each Outside Director shall agree to make appropriate arrangements with the Corporation for satisfaction of any applicable federal, state or local income tax withholding requirements or payroll tax requirements, if any is required.

8. ***Data Privacy Information and Consent.***

(A) ***Data Collection and Usage.*** *The Corporation may collect, process and use certain personal information about the Outside Director, including, but not limited to, the Outside Director's name, home address and telephone number, email address, date of birth, social insurance number, passport or other identification number, salary, nationality, job title, any Shares held in the Corporation, details of all Restricted Stock Units or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in the Outside Director's favor ("Data"), for the purposes of implementing, administering and managing the Plan. The legal basis, where required, for the processing of Data is the Outside Director's consent.*

(B) ***Stock Plan Administration Service Providers.*** *The Corporation transfers Data to Fidelity Stock Plan Services LLC and its affiliated companies, an independent service provider based in the United States, which is assisting the Corporation with the implementation, administration and management of the Plan. The Corporation may select a different service provider or additional service providers and share Data with such other provider serving in a similar manner. The Outside Director may be asked to agree on separate terms and data processing practices with the service provider, with such agreement being a condition to the ability to participate in the Plan.*

(C) ***International Data Transfers.*** *The Corporation and its service providers are based in the United States. The Outside Director's country or jurisdiction may have different data privacy laws and protections than the United States. The Corporation's legal basis, where required, for the transfer of Data is the Outside Director's consent.*

(D) ***Data Retention.*** *The Corporation will hold and use the Data only as long as is necessary to implement, administer and manage the Outside Director's participation in the Plan, or as required to comply with legal or regulatory obligations, including under tax and security laws. In the latter case, the Outside Director understands and acknowledges that the Corporation's legal basis for the processing of the Outside Director's Data would be compliance with the relevant laws or regulations or the pursuit by the Corporation of respective legitimate interests not outweighed by the Outside Director's interests, rights or freedoms. When the Corporation no longer needs the Outside Director's Data for any of the above purposes, the Outside Director understands the Corporation will remove it from its systems.*

(E) ***Voluntariness and Consequences of Consent Denial or Withdrawal.*** *Participation in the Plan is voluntary and the Outside Director is providing the consents herein on a purely voluntary basis. If the Outside Director does not consent, or if the Outside Director later seeks to revoke the Outside Director's consent, the Outside Director's retainer and fees from or services with the Corporation will not be affected; the only consequence of refusing or withdrawing the Outside Director's consent is that the Corporation would not be able to grant Awards to the Outside Director or administer or maintain such Awards.*

(F) ***Data Subject Rights.*** *The Outside Director may have a number of rights under data privacy laws in the Outside Director's jurisdiction. Depending on where the Outside Director is based, such rights may include the right to (i) inquire whether and what kind of Data the Corporation holds about the Outside Director and how it is processed, and to request access or copies of Data the Corporation processes, (ii) request the correction or supplementation of Data about the Outside Director that is inaccurate, incomplete or out-of-date in light of the purposes underlying the processing, (iii) obtain the erasure of Data no longer necessary for the purposes underlying the processing, processed based on withdrawn consent, processed for legitimate interests that, in the context of the Outside Director's objection, do not prove to be compelling, or processed in non-compliance with applicable legal requirements, (iv) request restrictions on processing of Data in certain situations where the Outside Director feels its processing is inappropriate, (v) request portability of the Outside Director's Data that the Outside Director has actively or passively provided to the Corporation (which does not include data derived or inferred from the collected data), where the processing of such Data is based on consent or the Outside Director's service on the Board and is carried out by automated means, (vi) object, in certain circumstances, to the processing of Data for legitimate interests, (vii) lodge complaints with competent authorities in the Outside Director's jurisdiction, and/or (viii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, the Outside Director can contact the Corporate Secretary.*

***By accepting the Award and indicating consent via the Corporation's acceptance procedure, the Outside Director is declaring that he or she agrees with the data processing practices described herein and consents to the collection, processing and use of Data by the Corporation and the transfer of Data to the recipients mentioned above, including recipients located in countries which do not adduce an adequate level of protection from a European (or other non-U.S.) data protection law perspective, for the purposes described above.***

9. Severability. The provisions in this Statement of Terms and Conditions are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

10. Successors. This Statement of Terms and Conditions and the Restricted Stock Unit Agreements shall be binding upon and inure to the benefit of any successor or successors of the Corporation. "Outside Director" as used herein shall include the Outside Director's Beneficiary.

11. Delaware Law. The interpretation, performance, and enforcement of this Statement of Terms and Conditions and all Restricted Stock Unit Agreements shall be governed by the laws of the State of Delaware.

McKESSON CORPORATION  
STATEMENT OF TERMS AND CONDITIONS APPLICABLE TO  
RESTRICTED STOCK UNITS GRANTED TO  
OUTSIDE DIRECTORS PURSUANT TO THE 2022 STOCK PLAN

**I. INTRODUCTION**

The following terms and conditions shall apply to Restricted Stock Unit Awards granted under the Plan and are subject to the terms and conditions of the Plan. This Statement of Terms and Conditions is intended to meet the requirements of Code Section 409A and any regulations and rules promulgated thereunder. In the event of any inconsistency between this Statement of Terms and Conditions and the Plan, the Plan shall govern. Capitalized terms not otherwise defined in this Statement of Terms and Conditions shall have the meaning set forth in the Plan.

**II. RESTRICTED STOCK UNITS**

1. Award Agreement. A Restricted Stock Unit Award granted to an Outside Director under the Plan shall be evidenced by a Restricted Stock Unit Agreement to be executed by the Outside Director and the Corporation setting forth the terms and conditions of the Restricted Stock Unit Award. Each Restricted Stock Unit Grant Notice shall incorporate by reference and be subject to this Statement of Terms and Conditions, including the special terms and conditions in the Appendix for the Outside Director's country (if any) which forms part of this Statement of Terms and Conditions, and together both documents shall constitute the Restricted Stock Unit Agreement. The Restricted Stock Units are also subject to the terms and conditions of the Plan.

2. Terms and Conditions. The Administrator administering the Plan has authority to determine the Outside Directors to whom, and the time or times at which, grants of Restricted Stock Units will be made, the number of Units to be awarded, and all other terms and conditions of such awards. With respect to annual Restricted Stock Unit Awards granted to Outside Directors under the Plan, such awards shall be subject to the following terms, conditions and restrictions.

(A) Grant Date. Each Outside Director may be granted a Restricted Stock Unit Award on the date of each annual meeting of stockholders. An Outside Director that is elected to the Board between annual meetings of stockholders may also be granted a Restricted Stock Unit Award on the date that the Board determines in its sole discretion.

(B) Number of Restricted Stock Units. Unless otherwise determined by the Board or the Governance Committee of the Board (the "Governance Committee"), the number of Restricted Stock Units ("Units") granted for the annual meeting grant will be determined by dividing the Fair Market Value of a Share on the date of grant into \$200,000 (with any fractional

Unit rounded up to the nearest whole Unit). In addition to such grant, unless otherwise determined by the Board or the Governance Committee, the Independent Chair shall be granted an annual meeting grant determined by dividing the Fair Market Value of a Share on the date of grant into \$120,000 (with any fractional Unit rounded up to the nearest whole Unit). Notwithstanding the foregoing, in no event shall the aggregate number of Units granted to any Outside Director pursuant to such annual meeting grant or grants exceed 5,000. A newly elected Outside Director may receive a prorated annual meeting grant effective upon the date of the Outside Director's election to the Board.

(C) No Restrictions. Each Restricted Stock Unit Award granted to an Outside Director will be fully vested on the date of grant.

3. Dividend Equivalents. Dividend equivalents in respect of Restricted Stock Units, if granted in tandem with such Units, will be converted into additional Restricted Stock Units, which will be subject to all of the terms and conditions of the underlying Restricted Stock Unit Award. The number of such additional Restricted Stock Units shall be calculated by dividing (a) the aggregate amount or value of the dividends paid with respect to that number of Shares equal to the number of Restricted Stock Units credited as of the record date for such dividend by (b) the Fair Market Value per Share on the payment date for such dividend.

4. Assignability. An Outside Director shall not be permitted to sell, transfer, pledge, assign or encumber Restricted Stock Units, other than pursuant to a qualified domestic relations order as defined in the Code or Title I of the U.S. Employee Retirement Income Security Act.

5. No Stockholder Rights. Neither an Outside Director nor any person entitled to exercise an Outside Director's rights in the event of the Outside Director's death shall have any of the rights of a stockholder with respect to a Restricted Stock Unit Award except to the extent that a book entry has been entered in the records of the Corporation's transfer agent with respect to the underlying Shares paid upon the settlement of any Restricted Stock Unit Award as described in Section II.6 below.

6. Time of Payment of Restricted Stock Units. Except as noted in Section II.7 below, Restricted Stock Units granted to Outside Directors shall not be paid until after the Outside Director's separation of service with the Corporation ("Automatic Deferral Requirement"). "Separation from service" shall have the meaning provided under the McKesson Corporation Deferred Compensation Administration Plan III ("DCAP III"). Payment shall be made in Shares in the form of an appropriate book entry entered in the records of the Corporation's transfer agent recording the Outside Director's unrestricted interest in the number of Shares subject to the Restricted Stock Unit Award. Any fractional Shares resulting from the accumulation of dividend equivalents shall be paid in cash.

7. Satisfaction of Director Stock Ownership Guidelines. For those Outside Directors who have met the Director Stock Ownership Guidelines in effect at the time, Restricted Stock Unit grants shall not be subject to the Automatic Deferral Requirement and such grants will be immediately converted into Shares and distributed to the Outside Director; provided, however, that the Outside Director may elect to defer receipt of the Shares underlying the Restricted Stock Units.

8. Deferrals of Restricted Stock Units. Deferrals of Restricted Stock Units, whether elective or pursuant to the Automatic Deferral Requirement, shall be subject to the terms and conditions of DCAP III.

### **III. MISCELLANEOUS**

1. No Effect on Terms of Service with the Corporation. Nothing contained in this Statement of Terms and Conditions, the Plan or a Restricted Stock Unit Agreement shall affect the Corporation's right to terminate the service of any Outside Director.

2. Grants to Outside Directors in Foreign Countries. If an Outside Director is not a United States citizen or resident, the Board has the full discretion to deviate from this Statement of Terms and Conditions in order to adjust a Restricted Stock Unit Award to prevailing local conditions, including custom and legal and tax requirements. Furthermore, the Corporation reserves the right to impose other requirements on the Outside Director's participation in the Plan, on the Award and on any Shares acquired under the Plan, to the extent the Corporation determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require the Outside Director to sign any additional agreements or undertaking that may be necessary to accomplish the foregoing.

3. Information Notification. Any information required to be given under the terms of a Restricted Stock Unit Award shall be addressed to the Corporation in care of its Corporate Secretary at McKesson Corporation, 6555 North State Highway 161, Irving, Texas 75039, and any notice to be given to an Outside Director shall be addressed to the Outside Director at the address indicated beneath the Outside Director's name on the Restricted Stock Unit Agreement or such other address as either party may designate in writing to the other. Any such notice shall be deemed to have been duly given when enclosed in a properly sealed envelope or wrapper addressed as aforesaid, registered or certified and deposited (postage or registration or certification fee prepaid) in a post office or branch post office. The parties may use email delivery, so long as the message is clearly marked, sent to the email address(es) set forth herein. Email delivery will be deemed to occur when the sender receives confirmation that such message has been received and read by the recipient. Emails to the Corporation shall be delivered to CorpSecretary@McKesson.com.

4. Electronic Delivery. The Corporation may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Corporation or a third party designated by the Corporation.

5. Administrator Decisions Conclusive. All decisions of the Administrator administering the Plan upon any questions arising under the Plan, under this Statement of Terms and Conditions, or under a Restricted Stock Unit Agreement, shall be conclusive and binding on all persons.

6. No Effect on Other Benefit Plans. Nothing herein contained shall affect an Outside Director's right, if any, to participate in and receive benefits from and in accordance with the then current provisions of any benefit plan or program offered by the Corporation.

7. Withholding. Each Outside Director shall agree to make appropriate arrangements with the Corporation for satisfaction of any applicable federal, state or local income tax withholding requirements or payroll tax requirements, if any is required.

8. ***Data Privacy Information and Consent.***

(A) ***Data Collection and Usage.*** *The Corporation may collect, process and use certain personal information about the Outside Director, including, but not limited to, the Outside Director's name, home address and telephone number, email address, date of birth, social insurance number, passport or other identification number, salary, nationality, job title, any Shares held in the Corporation, details of all Restricted Stock Units or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in the Outside Director's favor ("Data"), for the purposes of implementing, administering and managing the Plan. The legal basis, where required, for the processing of Data is the Outside Director's consent.*

(B) ***Stock Plan Administration Service Providers.*** *The Corporation transfers Data to Fidelity Stock Plan Services LLC and its affiliated companies, an independent service provider based in the United States, which is assisting the Corporation with the implementation, administration and management of the Plan. The Corporation may select a different service provider or additional service providers and share Data with such other provider serving in a similar manner. The Outside Director may be asked to agree on separate terms and data processing practices with the service provider, with such agreement being a condition to the ability to participate in the Plan.*

(C) ***International Data Transfers.*** *The Corporation and its service providers are based in the United States. The Outside Director's country or jurisdiction may have different data privacy laws and protections than the United States. The Corporation's legal basis, where required, for the transfer of Data is the Outside Director's consent.*

(D) ***Data Retention.*** *The Corporation will hold and use the Data only as long as is necessary to implement, administer and manage the Outside Director's participation in the Plan, or as required to comply with legal or regulatory obligations, including under tax and security laws. In the latter case, the Outside Director understands and acknowledges that the Corporation's legal basis for the processing of the Outside Director's Data would be compliance with the relevant laws or regulations or the pursuit by the Corporation of respective legitimate interests not outweighed by the Outside Director's interests, rights or freedoms. When the Corporation no longer needs the Outside Director's Data for any of the above purposes, the Outside Director understands the Corporation will remove it from its systems.*

(E) ***Voluntariness and Consequences of Consent Denial or Withdrawal.*** *Participation in the Plan is voluntary and the Outside Director is providing the consents herein on a purely voluntary basis. If the Outside Director does not consent, or if the Outside Director later seeks to revoke the Outside Director's consent, the Outside Director's retainer and fees from or services with the Corporation will not be affected; the only consequence of refusing or withdrawing the Outside Director's consent is that the Corporation would not be able to grant Awards to the Outside Director or administer or maintain such Awards.*



(F) **Data Subject Rights.** *The Outside Director may have a number of rights under data privacy laws in the Outside Director's jurisdiction. Depending on where the Outside Director is based, such rights may include the right to (i) inquire whether and what kind of Data the Corporation holds about the Outside Director and how it is processed, and to request access or copies of Data the Corporation processes, (ii) request the correction or supplementation of Data about the Outside Director that is inaccurate, incomplete or out-of-date in light of the purposes underlying the processing, (iii) obtain the erasure of Data no longer necessary for the purposes underlying the processing, processed based on withdrawn consent, processed for legitimate interests that, in the context of the Outside Director's objection, do not prove to be compelling, or processed in non-compliance with applicable legal requirements, (iv) request restrictions on processing of Data in certain situations where the Outside Director feels its processing is inappropriate, (v) request portability of the Outside Director's Data that the Outside Director has actively or passively provided to the Corporation (which does not include data derived or inferred from the collected data), where the processing of such Data is based on consent or the Outside Director's service on the Board and is carried out by automated means, (vi) object, in certain circumstances, to the processing of Data for legitimate interests, (vii) lodge complaints with competent authorities in the Outside Director's jurisdiction, and/or (viii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, the Outside Director can contact the Corporate Secretary.*

*By accepting the Award and indicating consent via the Corporation's acceptance procedure, the Outside Director is declaring that he or she agrees with the data processing practices described herein and consents to the collection, processing and use of Data by the Corporation and the transfer of Data to the recipients mentioned above, including recipients located in countries which do not adduce an adequate level of protection from a European (or other non-U.S.) data protection law perspective, for the purposes described above.*

9. **Severability.** The provisions in this Statement of Terms and Conditions are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

10. **Successors.** This Statement of Terms and Conditions and the Restricted Stock Unit Agreements shall be binding upon and inure to the benefit of any successor or successors of the Corporation. "Outside Director" as used herein shall include the Outside Director's Beneficiary.

11. **Delaware Law.** The interpretation, performance, and enforcement of this Statement of Terms and Conditions and all Restricted Stock Unit Agreements shall be governed by the laws of the State of Delaware.

**McKESSON CORPORATION**  
**STATEMENT OF TERMS AND CONDITIONS APPLICABLE TO**  
**OPTIONS, RESTRICTED STOCK, RESTRICTED STOCK UNITS**  
**AND PERFORMANCE STOCK UNITS GRANTED TO EXECUTIVE OFFICERS**  
**PURSUANT TO THE 2022 STOCK PLAN**

**For Grants Beginning October 23, 2023**

**I. INTRODUCTION**

The following terms and conditions shall apply to an Award granted under the Plan and are subject to the terms and conditions of the Plan. This Statement of Terms and Conditions is intended to meet the requirements of Code Section 409A and any rules promulgated thereunder. In the event of any inconsistency between this Statement of Terms and Conditions and the Plan, the Plan shall govern. Capitalized terms not otherwise defined in this Statement of Terms and Conditions shall have the meaning set forth in the Plan.

**II. OPTIONS**

1. Option Agreement. An Option granted under the Plan shall be evidenced by an Option Agreement setting forth the terms and conditions of the Option, including whether the Option is an Incentive Stock Option or a Nonstatutory Stock Option and the number of Shares subject to the Option. Each Option Grant Notice shall incorporate by reference and be subject to this Statement of Terms and Conditions, including the special terms and conditions in the Appendix for the Participant's country (if any) which forms part of this Statement of Terms and Conditions, and together both documents shall constitute the Option Agreement. The Option is also subject to the terms and conditions of the Plan.

2. Exercise Price. The Exercise Price of an Option, as specified in the Option Agreement, shall be equal to or greater than the Fair Market Value of the Shares underlying the Option on the Grant Date.

3. Option Period. An Option shall be exercisable only during the applicable Option Period, and during such Option Period the exercisability of the Option shall be subject to the vesting provisions of Section II.4 as modified by the rules set forth in Sections II.5 and VI. The Option Period shall be not more than seven years from the Grant Date.

4. Vesting of Right to Exercise Options.

(A) Subject to Sections II.5 and VI, an Option shall be exercisable during the Option Period in accordance with the vesting terms and conditions established on the Grant Date and specified in the Option Grant Notice.

(B) Any vested portion of an Option not exercised hereunder shall accumulate and be exercisable at any time on or before the Expiration Date, subject to the rules set forth in Sections II.5 and VI. No Option may be exercised for less than 5% of the total number of Shares then available for exercise under such Option. In no event shall the Corporation be required to issue fractional Shares.

5. Limits on Option Period and Acceleration of Vesting. The Option Period may end before the Expiration Date, and in certain circumstances the vesting schedule of an Option may be accelerated (subject to the provisions of Section VI), as follows:

(A) If a Participant ceases to be a bona fide employee of the Corporation or of its Affiliates during the Option Period for reasons other than for Cause, Long-Term Disability, Normal Retirement, Early Retirement, Severance under the circumstances provided in Section II.5(F)(ii), or death, the Option Period shall end on the earlier of (i) 90 days after the date of the Participant's termination of employment and (ii) the Expiration Date, and in all cases the Option shall be exercisable only to the extent that it was exercisable at the time of such termination of employment. If a Participant is absent from work with the Corporation or an Affiliate because of the Participant's Short-Term Disability or because the Participant is on an approved leave of absence, the Participant shall not be deemed during the period of any such absence, by virtue of such absence alone, to have terminated employment with the Corporation or an Affiliate except as the Administrator may otherwise expressly determine.

(B) Notwithstanding any other provision in this Section II.5, if a Participant's employment is terminated for Cause during the Option Period, the Option Period shall end on the date of such termination of employment and the Option shall thereupon not be exercisable to any extent whatsoever.

(C) If a Participant ceases to be a bona fide employee of the Corporation or of its Affiliates during the Option Period by reason of Long-Term Disability, the vesting schedule of the Participant's Option shall be accelerated, the Option shall become fully exercisable and the Option Period shall end on the earlier of (i) three years after the date of the Participant's termination of employment and (ii) the Expiration Date.

(D) If a Participant ceases to be a bona fide employee of the Corporation or of its Affiliates during the Option Period by reason of Early Retirement, (i) the Option shall be exercisable only to the extent that it was exercisable at the time of such retirement and (ii) the Option Period for that portion of the Option designated as a Nonstatutory Stock Option shall end on the earlier of (a) three years after the date of such retirement and (b) the Expiration Date.

(E) If a Participant ceases to be a bona fide employee of the Corporation or of its Affiliates during the Option Period by reason of Normal Retirement:

(i) If such Normal Retirement occurs prior to the first anniversary of the Grant Date of the Option, such Option shall be subject to the provisions of Section II.5(D) as though the Participant were eligible for Early Retirement; or

(ii) If such Normal Retirement occurs on or after the first anniversary of the Grant Date of an Option, (a) that portion of the Option designated as a Nonstatutory Stock Option shall continue to vest as though the Participant had continued to be employed by the Corporation or one of its Affiliates during such vesting period, and (b) the Option Period for such portion of the Option designated as a Nonstatutory Stock Option shall end on the Expiration Date.

(F) If a Participant ceases to be a bona fide employee of the Corporation or of its Affiliates during the Option Period by reason of Severance, and

(i) The Participant has attained the requirements for Normal Retirement on or prior to the Participant's termination date, then such Option shall be subject to the Normal Retirement provisions of Section II.5(E); or

(ii) The Participant has not attained the requirements for Normal Retirement on or prior to the Participant's termination date, but would have attained the requirements for Normal Retirement within six months after the termination date, and

(a) The first anniversary of the Grant Date of the applicable Award has not occurred on or prior to the termination date, then such Option shall be subject to the Early Retirement provision in Section II.5(D); or

(b) The first anniversary of the Grant Date of the applicable Award has occurred on or prior to the termination date, then (x) that portion of the Option designated as a Nonstatutory Stock Option shall continue to vest as though the Participant had continued to be employed by the Corporation or one of its Affiliates during such vesting period, and (y) the Option Period for such portion of the Option designated as a Nonstatutory Stock Option shall end on the Expiration Date; or

(iii) The Participant has not attained the requirements for Normal Retirement on or prior to the Participant's termination date, and would not have attained the requirements for Normal Retirement within six months after the termination date, then (a) the vesting schedule of the Participant's Option shall be accelerated as to the portion of the Option that would have vested in accordance with the original vesting schedule as though the Participant had continued to be employed by the Corporation or one of its Affiliates six months after the termination date, and (b) the expiration of the Option Period provided in Section II.5(A) shall apply; provided that if the Participant is also eligible for Early Retirement at the time of the termination of employment, then the expiration of the Option Period provided in Section II.5(D) shall apply.

(G) If a Participant should die (i) while in the employ of the Corporation or an Affiliate and (ii) during the Option Period, the vesting schedule of the Participant's Option shall be accelerated and the Option shall become fully exercisable, the Option Period shall end on the earlier of (a) three years after the date of death and (b) the Expiration Date, and the Participant's Beneficiary may exercise the entire unexercised portion of the then exercisable Shares covered by such Option (or any lesser amount) remaining on the date of death.

(H) If a Participant who ceases to be a bona fide employee of the Corporation or an Affiliate is subsequently rehired prior to the expiration of the Participant's Option, then the Option shall continue to remain outstanding until the earlier of (i) such time as the Participant subsequently terminates employment and (ii) the Expiration Date. Upon the Participant's subsequent termination of employment, the post-termination exercise period calculated pursuant to the terms and conditions of this Section II.5 shall be reduced by the number of days between the date of the Participant's initial termination of employment and the Participant's re-hire date; provided, however, that if the rehired Participant continues to be employed by the Corporation or an Affiliate for at least one year from the Participant's rehire date, then the post termination exercise period for the Option shall be determined in accordance with Sections II.5(A) through (G) and shall not be adjusted as described in this Section II.5(H).

6. Method of Exercise. A Participant may exercise an Option with respect to all or any part of the exercisable Shares as follows:

(A) By giving the Corporation, or its authorized representative designated for this purpose, written notice of such exercise specifying the number of Shares as to which the Option is so exercised. Such notice shall be accompanied by an amount equal to the Exercise Price multiplied by the number of Shares exercised, in the form of any one or combination of the following: cash or a certified check, bank draft, postal or express money order payable to the order of the Corporation in lawful money of the United States. Unless otherwise determined by the Administrator in its sole discretion, the Participant may pay the Exercise Price, in whole or in part, by tendering to the Corporation or its authorized representative Shares, which have been owned by the Participant for at least six months prior to said tender, and having a fair market value, as determined by the Corporation, equal to the Exercise Price, or in lieu of the delivery of actual Shares in such tender, the Corporation may accept an attestation by the Participant, in a form prescribed by the Corporation or its authorized representative, that the Participant owns sufficient Shares of record or in an account in street name to satisfy the Exercise Price, and such attestation will be deemed a tender of Shares for purposes of this method of exercise. The Corporation or its authorized representative may accept payment of the amount due upon the exercise of the Option in the form of a Participant's personal check. Payment may also be made by delivery (including by FAX transmission) to the Corporation or its authorized representative of an executed irrevocable Option exercise form together with irrevocable instructions to an approved registered investment broker to sell Shares in an amount sufficient to pay the Exercise Price plus any applicable Tax-Related Items (as defined in Section VIII.6) and to transfer the proceeds of such sale to the Corporation.

(B) If required by the Corporation, by giving satisfactory assurance in writing, signed by the Participant, the Participant shall give the Participant's assurance that the Shares subject to the Option are being purchased for investment and not with a view to the distribution thereof; provided that such assurance shall be deemed inapplicable to (i) any sale of the Shares by such Participant made in accordance with the terms of a registration statement covering such sale, which has heretofore been (or may hereafter be) filed and become effective under the U.S. Securities Act of 1933, as amended (the "Securities Act") and with respect to which no stop order suspending the effectiveness thereof has been issued, and (ii) any other sale of the Shares with respect to which, in the opinion of counsel for the Corporation, such assurance is not required to be given in order to comply with the provisions of the Securities Act.

(C) As soon as practicable after receipt of the notice and the assurance described in Sections II.6(A) and (B), the Corporation shall, without transfer or issue tax (except for withholding tax arrangements contemplated in Section VIII.6) and without other incidental expense to the Participant, credit the purchased Shares to the Participant's brokerage account of record. If the Participant does not have a brokerage account of record, then the Corporation shall cause an appropriate book entry to be entered in the records of the Corporation's transfer agent recording the Participant's unrestricted interest in the purchased Shares; provided, however, that the time of such delivery may be postponed by the Corporation for such period as may be required for it with reasonable diligence to comply with applicable registration requirements under the Securities Act, the Exchange Act, any applicable listing requirements of any national securities exchange and requirements under any other law or regulation applicable to the issuance or transfer of the Shares.

7. Limitations on Transfer. An Option shall, during a Participant's lifetime, be exercisable only by the Participant. No Option or any right granted thereunder shall be transferable by the Participant by operation of law or otherwise, other than by will or the laws of descent and distribution. Notwithstanding the foregoing: (A) unless otherwise determined by the Administrator in its sole discretion, a Participant may designate a beneficiary to succeed, after the Participant's death, to all of the Participant's Options outstanding on the date of

death; (B) a Nonstatutory Stock Option may be transferable pursuant to a qualified domestic relations order as defined in the Code or Title I of the U.S. Employee Retirement Income Security Act; and (C) any Participant, who is a senior executive officer recommended by the Chief Executive Officer of the Corporation and approved by the Administrator may voluntarily transfer any Nonstatutory Stock Option to a Family Member as a gift or through a transfer to an entity in which more than 50% of the voting interests are owned by Family Members (or the Participant) in exchange for an interest in that entity. In the event of any attempt by a Participant to alienate, assign, pledge, hypothecate, or otherwise dispose of an Option or of any right thereunder, except as provided herein, or in the event of the levy of any attachment, execution, or similar process upon the rights or interest hereby conferred, the Corporation at its election may terminate the affected Option by notice to the Participant and the Option shall thereupon become null and void.

8. No Stockholder Rights. Neither a Participant nor any person entitled to exercise a Participant's rights in the event of the Participant's death shall have any of the rights of a stockholder with respect to the Shares subject to an Option except to the extent that a book entry has been entered in the records of the Corporation's transfer agent with respect to such Shares upon the exercise of an Option.

### III. RESTRICTED STOCK

1. Restricted Stock Agreement. A Restricted Stock Award granted under the Plan shall be evidenced by a Restricted Stock Agreement to be executed by the Participant and the Corporation setting forth the terms and conditions of the Restricted Stock Award. Each Restricted Stock Grant Notice shall incorporate by reference and be subject to this Statement of Terms and Conditions, including the special terms and conditions in the Appendix for the Participant's country (if any) which forms part of this Statement of Terms and Conditions, and together both documents shall constitute the Restricted Stock Agreement. The Restricted Stock Award is also subject to the terms and conditions of the Plan.

2. Rights with Respect to Shares of Restricted Stock. Upon written acceptance of a Restricted Stock Award by a Participant, including the restrictions and other terms and conditions described in the Plan and the Restricted Stock Agreement, the Corporation shall cause an appropriate book entry to be entered in the records of the Corporation's transfer agent recording the Participant's interest in the Restricted Stock. From and after the Grant Date, the Participant shall have the rights of Common Stock ownership, including the right to vote and to receive dividends on Shares of Restricted Stock, subject to the terms, conditions and restrictions described in the Plan and the Restricted Stock Agreement.

3. Special Restrictions. Each Restricted Stock Award made under the Plan shall be subject to the following terms, conditions and restrictions and such additional terms, conditions and restrictions as may be determined by the Administrator; provided, however, that no Restricted Stock grant shall be subject to additional terms, conditions and restrictions which are more favorable to a Participant than the terms, conditions and restrictions set forth elsewhere in the Plan or the Restricted Stock Agreement.

(A) Restrictions. Until the restrictions imposed on any Restricted Stock grant shall lapse (the "Restriction Period"), Shares of Restricted Stock granted to a Participant (i) shall not be sold, assigned, transferred, pledged, hypothecated, or otherwise disposed of, other than pursuant to a qualified domestic relations order as defined in the Code or Title I of the U.S. Employee Retirement Income Security Act and (ii) shall, if the Participant's continuous employment with the Corporation or any of its Affiliates shall terminate for any reason (except as otherwise provided in the Plan, or in Section III.3(B) or Section III.3(C)) be returned to the Corporation forthwith, and all the rights of the Participant to such Shares shall immediately terminate. If a Participant is absent from work with the Corporation or an Affiliate because of the Participant's Short-Term Disability or because the Participant is on an approved leave of absence, the Participant shall not be deemed during the period of any such absence, by virtue of such absence alone, to have terminated employment with the Corporation or an Affiliate except as the Administrator may otherwise expressly determine.

(B) Termination of Employment by Reason of Death, Long-Term Disability or Normal Retirement. Notwithstanding any provision to the contrary contained in the Restricted Stock Grant Notice, if a Participant who has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date of a Restricted Stock Award ceases to be a bona fide employee of the Corporation or an Affiliate as a result of:

(i) Death or Long-Term Disability, then the restrictions imposed on any Restricted Stock Award shall lapse as to all Shares granted to such Participant pursuant to such Restricted Stock Award on the date of such termination; or

(ii) Normal Retirement on or after the first anniversary of the Grant Date of any time-vesting Restricted Stock Award, the restrictions applicable to such Restricted Stock Award shall

continue to lapse at such time(s) as are set forth in the applicable Grant Notice, as though the Participant had continued to be employed by the Corporation or one of its Affiliates during such restricted period; provided, that notwithstanding any other provision of the Plan or this Statement of Terms and Conditions, this Section III.3(B)(ii) shall not apply to any Restricted Stock Award the vesting of which is based, in whole or in part, on attainment of performance objectives. The procedures set forth in Section VIII.6 will be applied for any taxes due upon the lapse of restrictions imposed on a Restricted Stock Award due to a Participant's Normal Retirement eligibility.

(C) Termination of Employment by Reason of Severance. Notwithstanding any provision to the contrary contained in the Restricted Stock Grant Notice, if a Participant who has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date of a Restricted Stock Award ceases to be a bona fide employee of the Corporation or an Affiliate as a result of Severance, and:

(i) The Participant either (a) has attained the requirements for Normal Retirement on or prior to the Participant's termination date or (b) would have attained the requirements for Normal Retirement within six months after the Participant's termination date, then any time-vesting Restricted Stock Award shall be subject to the Normal Retirement provisions of Section III.3(B)(ii); or

(ii) The Participant has not attained the requirements for Normal Retirement on or prior to the Participant's termination date, and would not have attained the requirements for Normal Retirement within six months after the Participant's termination date, then the restrictions applicable to any time-vesting Restricted Stock Award shall lapse upon the Participant's termination date, as to such Shares of Restricted Stock that would have vested at such time(s) as are set forth in the applicable Grant Notice as if the Participant had continued to be employed by the Corporation or one of its Affiliates during the six-month period after the Participant's termination date.

Notwithstanding the foregoing, this Section III.3(C) shall not apply to any Restricted Stock Award the vesting of which is based, in whole or in part, on attainment of performance objectives. The procedures set forth in Section VIII.6 will be applied for any taxes due upon the lapse of restrictions imposed on a Restricted Stock Award due to a Participant's Normal Retirement eligibility.

(D) Restriction on Sale. The Administrator reserves the right to impose a restriction on the sale of Shares that the Participant receives upon the vesting and settlement of a Restricted Stock Award, unless the Participant has satisfied the ownership targets applicable to the Participant as provided in the Stock Ownership Policy.

4. Dividends. Cash dividends paid with respect to Restricted Stock during the Restriction Period shall be credited on behalf of the Participant to a deferred cash account (in a manner designed to comply with Code Section 409A) and the restrictions on such cash dividends shall lapse at the same time that the restrictions lapse on the associated Restricted Stock Award. Stock dividends paid with respect to Restricted Stock during the Restriction Period shall be treated as Restricted Stock which shall be subject to the same restrictions as the original award for the duration of the Restriction Period.

5. Election to Recognize Gross Income in the Year of Grant. If any Participant who is a U.S. taxpayer validly elects within 30 days of the Grant Date, to include in gross income for federal income tax purposes an amount equal to the fair market value of the Shares of Restricted Stock granted on the Grant Date, such Participant shall (at the same time or prior to the date that the Participant files the Participant's election with the Internal Revenue Service) (A) pay to the Corporation, or make arrangements satisfactory to the Administrator to pay to the Corporation in the year of such grant, any federal, state or local taxes required to be withheld with respect to such Shares in accordance with Section VIII.6, and (B) provide the Administrator with a copy of the election filed with the Internal Revenue Service.

6. Restrictive Legend. Each book entry in the records of the Corporation's transfer agent evidencing Shares granted pursuant to a Restricted Stock grant may bear an appropriate legend referring to the terms, conditions and restrictions described in the Plan and/or the Restricted Stock Agreement.

7. Expiration of Restriction Period. If and when the Restriction Period applicable to the Restricted Stock expires without a prior forfeiture, Shares shall be credited to the Participant's brokerage account of record. If the Participant does not have a brokerage account of record, then an appropriate book entry recording the Participant's interest in the unrestricted Shares shall be entered on the records of the Corporation's transfer agent.

#### IV. RESTRICTED STOCK UNITS

1. Restricted Stock Unit Agreement. Restricted Stock Units granted under the Plan shall be evidenced by a Restricted Stock Unit Agreement to be executed by the Participant and the Corporation setting forth the terms and conditions of the Restricted Stock Units. Each Restricted Stock Unit Grant Notice shall incorporate by reference and be subject to this Statement of Terms and Conditions, including the special terms and conditions in the Appendix for the Participant's country (if any) which forms part of this Statement of Terms and Conditions, and together both documents shall constitute the Restricted Stock Unit Agreement. The Restricted Stock Units are also subject to the terms and conditions of the Plan.

2. Special Restrictions. Restricted Stock Units granted under the Plan shall be subject to the following terms, conditions and restrictions and such additional terms, conditions and restrictions as may be determined by the Administrator, consistent with the terms of the Plan.

(A) Restrictions. If a Participant ceases to be a bona fide employee of the Corporation or any Affiliate (except as otherwise provided in the Plan, or in Section IV.2(B) or Section IV.2(C)) prior to the lapse of the restrictions imposed on the Award, the unvested Restricted Stock Units shall be canceled, and all the rights of the Participant to such Awards shall immediately terminate. If a Participant is absent from work with the Corporation or an Affiliate because of the Participant's Short-Term Disability or because the Participant is on an approved leave of absence, the Participant shall not be deemed during the period of any such absence, by virtue of such absence alone, to have terminated employment with the Corporation or an Affiliate except as the Administrator may otherwise expressly determine.

(B) Termination of Employment by Reason of Death, Long-Term Disability or Normal Retirement. Notwithstanding any provision contained to the contrary in the Restricted Stock Unit Grant Notice, if a Participant who has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date of such Award ceases to be a bona fide employee of the Corporation or an Affiliate as a result of:

(i) Death or Long-Term Disability, then the restrictions imposed on any Award of Restricted Stock Units shall lapse on the date of such termination; or

(ii) Normal Retirement on or after the first anniversary of the Grant Date of any time-vesting Restricted Stock Units, the restrictions applicable to such Restricted Stock Units shall continue to lapse at such time(s) as are set forth in the applicable Grant Notice, as though the Participant had continued to be employed by the Corporation or one of its Affiliates during such restricted period.

(C) Termination of Employment by Reason of Severance. Notwithstanding any provision to the contrary contained in the Restricted Stock Unit Grant Notice, if a Participant who has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date of a Restricted Stock Unit Award ceases to be a bona fide employee of the Corporation or an Affiliate as a result of Severance, and:

(i) The Participant either (a) has attained the requirements for Normal Retirement on or prior to the Participant's termination date or (b) would have attained the requirements for Normal Retirement within six months after the Participant's termination date, then any time-vesting Restricted Stock Unit Award shall be subject to the Normal Retirement provisions of Section IV.2(B)(ii); or

(ii) The Participant has not attained the requirements for Normal Retirement on or prior to the Participant's termination date, and would not have attained the requirements for Normal Retirement within six months after the Participant's termination date, then the restrictions applicable to any time-vesting Restricted Stock Unit Award shall lapse upon the termination date, as to such Restricted Stock Units that would have vested at such time(s) as are set forth in the applicable Grant Notice as if the Participant had continued to be employed by the Corporation or one of its Affiliates during the six-month period after the termination date.

(D) Restriction on Sale. The Administrator reserves the right to impose a restriction on the sale of Shares that the Participant receives upon the settlement of Restricted Stock Units, unless the Participant has satisfied the ownership targets applicable to the Participant as provided in the Stock Ownership Policy.

3. Dividend Equivalents. Subject to the discretion of the Compensation Committee, dividend equivalents shall be credited in respect of Restricted Stock Units. Cash dividends shall be credited on behalf of the Participant to a deferred cash account (in a manner designed to comply with Code Section 409A) and the restrictions on such cash dividends shall lapse at the same time that the restrictions lapse on the associated Award of Restricted Stock Units, and cash dividends shall be paid in a lump sum at the same time that the Shares underlying the



Restricted Stock Unit Award, and to which the cash dividends relate, are distributed. Stock dividends shall be converted into additional Restricted Stock Units, which will be subject to all of the terms and conditions of the underlying Restricted Stock Units, including the same vesting restrictions as the underlying Award.

4. Assignability. A Participant shall not be permitted to sell, transfer, pledge, assign or encumber Restricted Stock Units, other than pursuant to a qualified domestic relations order as defined in the Code or Title I of the U.S. Employee Retirement Income Security Act.

5. No Stockholder Rights. Neither a Participant nor any person entitled to exercise a Participant's rights in the event of the Participant's death shall have any of the rights of a stockholder with respect to an Award of Restricted Stock Units except to the extent that a book entry has been entered in the records of the Corporation's transfer agent with respect to the Shares paid upon the settlement of any vested Restricted Stock Units.

6. Time of Payment of Restricted Stock Units. Upon the lapse of the restriction imposed on Restricted Stock Units, all Restricted Stock Units that were not forfeited pursuant to Section IV.2(A), Section IV.2(B)(i), Section IV.2(C)(i), or Section VI shall be paid to the Participant as soon as reasonably practicable after the restrictions lapse. Payment shall be made in Shares to the Participant's brokerage account of record. If the Participant does not have a brokerage account of record, then in the form of an appropriate book entry entered in the records of the Corporation's transfer agent recording the Participant's unrestricted interest in the number of Shares subject to the Restricted Stock Units.

Notwithstanding the foregoing, if a Participant becomes eligible for Normal Retirement, or is eligible for additional vesting under Section IV.2(C)(ii), prior to the date of the lapse of restrictions imposed on Restricted Stock Units and the vesting provisions of Section IV.2(B)(ii) or Section IV.2(C)(ii) apply, then such Restricted Stock Units shall be paid to the Participant's brokerage account of record as soon as reasonably practicable after the earlier of the Participant's Separation from Service or the originally scheduled vesting date (in any event before the end of the calendar year in which such date occurs), subject to the delay of payment (if applicable) provided in Section VIII.14. The procedures set forth in Section VIII.6 will be applied for any taxes due upon the lapse of restrictions imposed on a Restricted Stock Unit Award due to a Participant's Normal Retirement eligibility or additional vesting as provided in Section IV.2(C)(ii).

## **V. PERFORMANCE STOCK UNITS**

1. Award Agreement. Performance Stock Unit Awards shall be evidenced by a Performance Stock Unit Agreement to be executed by the Participant and the Corporation setting forth the terms and conditions of the Performance Stock Unit Award. Performance Stock Unit Awards are "Performance Awards" as provided under Section 10 of the Plan. Each Performance Stock Unit Agreement shall incorporate by reference and be subject to this Statement of Terms and Conditions, including the special terms and conditions in the Appendix for the Participant's country (if any) which forms part of this Statement of Terms and Conditions, and together both documents shall constitute the Performance Stock Unit Agreement. Performance Stock Unit Awards are also subject to the terms and conditions of the Plan.

2. Number of Shares Granted Based on Performance. The performance period of a Performance Stock Unit Award shall be greater than one year, and performance shall be based on such criteria as the Compensation Committee shall determine in its discretion at the beginning of the performance period. Following the end of the performance period, the Compensation Committee shall determine the extent to which the criteria have been achieved, and shall authorize the grant and issuance of Shares in respect of the Performance Stock Unit Award.

3. Special Conditions. Performance Stock Unit Awards shall be subject to the following terms, conditions and restrictions and such additional terms, conditions and restrictions as may be determined by the Compensation Committee, consistent with the terms of the Plan.

(A) Forfeiture. If a Participant ceases to be a bona fide employee of the Corporation or any Affiliate (except as otherwise provided in the Plan or in Section V.3(B) or Section V.3(C)) prior to the end of the performance period, any then-outstanding Performance Stock Units shall be canceled, and all the rights of the Participant to such Award shall immediately terminate. If a Participant is absent from work with the Corporation or an Affiliate because of the Participant's Short-Term Disability or because the Participant is on an approved leave of absence, the Participant shall not be deemed during the period of any such absence, by virtue of such absence alone, to have terminated employment with the Corporation or an Affiliate except as the Compensation Committee may otherwise expressly determine.

(B) Termination of Employment by Reason of Death, Long-Term Disability or Normal Retirement. Notwithstanding any provision contained herein or in the Plan or the Award Agreement to the contrary, if a Participant who has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date of such Award ceases to be a bona fide employee of the Corporation or an Affiliate as a result of:

(i) Death or Long-Term Disability, the Participant shall be eligible to receive, following completion of the applicable performance period, a prorated portion of each such Performance Stock Unit Award, equal to (1) the target number of Performance Stock Units subject to such Award, *multiplied by* (2) the performance criteria determined by the Compensation Committee to apply to such Award, *multiplied by* (3) a fraction, the numerator of which is the number of whole calendar months, rounded down to the nearest whole month, during which the Participant provided Service to the Corporation or an Affiliate during the performance period applicable to such Award, and the denominator of which is the number of calendar months in such performance period; provided, that for purposes of this clause (3), “whole calendar months” shall be calculated commencing on the applicable Grant Date; provided, however, that in no event shall such amount exceed any applicable cap or limitation set forth in the Performance Stock Unit Grant Notice; or

(ii) Normal Retirement on or after the first anniversary of the Grant Date, the Participant shall be eligible to vest in such Performance Stock Unit Award following completion of the applicable performance period, as though the Participant had continued to be employed by the Corporation or one of its Affiliates through the date on which the Compensation Committee determines performance against the applicable performance goals.

Amounts, if any, to be paid under this Section V.3(B) shall be paid in accordance with Section V.7 and, if applicable, Section VIII.14.

(C) Termination of Employment by Reason of Severance. Notwithstanding any provision to the contrary, if the Participant has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date and ceases to be a bona fide employee of the Corporation or an Affiliate as a result of Severance, and:

(i) The Participant either (a) has attained the requirements for Normal Retirement on or prior to the Participant’s termination date or (b) would have attained the requirements for Normal Retirement within six months after the Participant’s termination date, then any Performance Stock Unit Award shall be subject to the Normal Retirement provisions of Section V.3(B)(ii); or

(ii) The Participant has not attained the requirements for Normal Retirement on or prior to the Participant’s termination date, and would not have attained the requirements for Normal Retirement within six months after the Participant’s termination date, then if such Participant’s termination date is no greater than six months prior to the date on which the Compensation Committee determines performance against the applicable performance goals, such Participant shall be eligible to vest in such Performance Stock Unit Award following completion of the applicable performance period, as though the Participant had continued to be employed by the Corporation or one of its Affiliates through such performance determination date.

Amounts, if any, to be paid under this Section V.3(C) shall be paid in accordance with Section V.7 and, if applicable, Section VIII.14.

(D) Restriction on Sale of Shares. The Administrator reserves the right to impose a restriction on the sale of Shares that the Participant receives with respect to the settlement of a Performance Stock Unit Award, unless the Participant has satisfied the ownership targets applicable to the Participant as provided in the Stock Ownership Policy.

4. Dividend Equivalents. Unless otherwise determined by the Compensation Committee in its sole discretion, Dividend Equivalents shall not be accrued with respect to Performance Stock Unit Awards during the performance period.

5. Assignability. A Participant shall not be permitted to sell, transfer, pledge, assign or encumber all or any portion of a Performance Stock Unit Award.

6. No Stockholder Rights. Neither a Participant nor any person entitled to exercise a Participant’s rights in the event of the Participant’s death shall have any of the rights of a stockholder with respect to a

Performance Stock Unit Award, except to the extent that a book entry has been entered in the records of the Corporation's transfer agent with respect to the Shares paid upon the settlement of any Performance Stock Unit Award.

7. Time of Payment of Performance Stock Units. The Compensation Committee shall determine the extent to which Shares are payable pursuant to a Performance Stock Unit Award as soon as practicable following the end of the performance period, and such Shares shall be paid as soon as practicable thereafter and in any event no later than the end of the period under which payment would be deemed to be a "short-term deferral" as defined in the regulations under Code Section 409A. Payment shall be made in the form of Shares to the Participant's brokerage account of record. If the Participant does not have a brokerage account of record, then in the form of an appropriate book entry entered in the records of the Corporation's transfer agent recording the Participant's unrestricted interest in the number of Shares earned pursuant to the Performance Stock Unit Award.

## **VI. SPECIAL FORFEITURE AND REPAYMENT RULES**

Any other provision of this Statement of Terms and Conditions to the contrary notwithstanding, if the Administrator determines that a Participant has engaged in any of the actions described in 3 below, the consequences set forth in 1 and 2 below shall result:

1. Any outstanding Option shall immediately and automatically terminate, be forfeited and shall cease to be exercisable, without limitation. In addition, any Award of Restricted Stock or Restricted Stock Units as to which the restrictions have not lapsed shall immediately and automatically be forfeited, Performance Stock Unit Awards shall immediately and automatically be forfeited and any such Shares of Restricted Stock shall be returned to the Corporation and all of the rights of the Participant to such Awards and the underlying Shares shall immediately terminate.

2. If the Participant exercised an Option within 12 months prior to the date upon which the Corporation discovered that the Participant engaged in any actions described in 3 below, the Participant, upon written notice from the Corporation, shall immediately pay to the Corporation the economic value realized or obtained by the exercise of such Option measured at the date of exercise. In addition, if the restrictions imposed on any Award of Restricted Stock or Restricted Stock Units (including any unpaid dividends or Dividend Equivalents) lapsed, or any Performance Stock Unit Award was settled, within 12 months prior to the date the Corporation discovered that the Participant engaged in any action described in 3 below, the Participant, upon written notice from the Corporation, shall immediately pay to the Corporation the economic value realized or obtained with respect to such Award, measured at the date such Award vested.

3. The consequences described in 1 and 2 above shall apply if the Participant, either before or after termination of employment with the Corporation or its Affiliates:

(A) Discloses to others, or takes or uses for the Participant's own purpose or the purpose of others, any trade secrets, confidential information, knowledge, data or know-how or any other proprietary information or intellectual property belonging to the Corporation or its Affiliates and obtained by the Participant during the term of the Participant's employment, whether or not they are the Participant's work product. Examples of such confidential information or trade secrets include, without limitation, customer lists, supplier lists, pricing and cost data, computer programs, delivery routes, advertising plans, wage and salary data, financial information, research and development plans, processes, equipment, product information and all other types and categories of information as to which the Participant knows or has reason to know that the Corporation or its Affiliates intends or expects secrecy to be maintained;

(B) Fails to promptly return all documents and other tangible items belonging to the Corporation or its Affiliates in the Participant's possession or control, including all complete or partial copies, recordings, abstracts, notes or reproductions of any kind made from or about such documents or information contained therein, upon termination of employment, whether pursuant to retirement or otherwise;

(C) Fails to provide the Corporation with at least 30 days' written notice prior to directly or indirectly engaging in, becoming employed by, or rendering services, advice or assistance to any business in competition with the Corporation or its Affiliates. As used herein, "business in competition" means any person, organization or enterprise which is engaged in or is about to become engaged in any line of business engaged in by the Corporation or its Affiliates at the time of the termination of the Participant's employment with the Corporation or its Affiliates;

(D) Fails to inform any new employer, before accepting employment, of the terms of this paragraph and of the Participant's continuing obligation to maintain the confidentiality of the trade secrets and other confidential information belonging to the Corporation or its Affiliates and obtained by the Participant during the term of the Participant's employment with the Corporation or any of its Affiliates;

(E) Induces or attempts to induce, directly or indirectly, any of the customers of the Corporation or its Affiliates, employees, representatives or consultants to terminate, discontinue or cease working with or for the Corporation or its Affiliates, or to breach any contract with the Corporation or any of its Affiliates, in order to work with or for, or enter into a contract with, the Participant or any third party;

(F) Engages in conduct which is not in good faith and which disrupts, damages, impairs or interferes with the business, reputation or employees of the Corporation or its Affiliates; or

(G) Fails to meet the Participant's continuing obligations with respect to non-disclosure, non-competition and/or non-solicitation under the Participant's agreement with the Corporation or any Affiliate.

The Administrator shall determine in its sole discretion whether the Participant has engaged in any of the acts set forth in (A) through (G) above, and its determination shall be conclusive and binding on all interested persons.

Any provision of this Section VI which is determined by a court of competent jurisdiction to be invalid or unenforceable should be construed or limited in a manner that is valid and enforceable and that comes closest to the business objectives intended by such invalid or unenforceable provision, without invalidating or rendering unenforceable the remaining provisions of this Section VI.

## **VII. CHANGE IN CONTROL**

If as a result of a Change in Control, the Common Stock ceases to be listed for trading on a national securities exchange (an "Exchange"), any Option, Restricted Stock Award, Restricted Stock Unit Award or Performance Stock Unit Award that is unvested on the effective date of the Change in Control shall continue to vest according to the terms and conditions of such Award, provided that such Award is replaced with an award for voting securities of the resulting corporation or the acquiring corporation, as the case may be, (including without limitation, the voting securities of any corporation which as a result of the Change in Control owns the Corporation or all or substantially all of the Corporation's assets either directly or through one or more subsidiaries) (the "Surviving Company") which are traded on an Exchange (a "Replacement Award"), which Replacement Award, (i) in the case of an Option, shall consist of an option with the number of underlying shares and exercise price determined in a manner consistent with Code Section 424(a) with vesting and any other terms continuing in the same manner as the replaced Option; (ii) in the case of a Performance Stock Unit Award, shall consist of restricted stock or restricted stock units with a value (determined using the Surviving Company's stock price as of the effective date of the Change in Control) equal to the value of the Performance Stock Unit Award (determined using the Corporation's stock price and assuming attainment of target performance or actual performance achieved, if greater, as of the effective date of the Change in Control), with any restrictions on such Replacement Award lapsing at the end of the measuring period over which performance for the replaced Performance Stock Unit Award was to be measured prior to the granting of the Replacement Award; and (iii) in the case of a Restricted Stock Award or Restricted Stock Unit Award, shall consist of restricted stock or restricted stock units with a value (determined using the Surviving Company's stock price as of the effective date of the Change in Control) equal to the value of the Restricted Stock Award or Restricted Stock Unit Award (determined using the Corporation's stock price as of the effective date of the Change in Control), with any restrictions on such restricted stock or restricted stock units lapsing at the same time and manner as the replaced Award; provided, however, that in the event of the Participant's involuntary Separation from Service by the Corporation without Cause or Separation from Service by the Participant for Good Reason during the vesting period of any Replacement Award, the Replacement Award shall immediately vest and be paid as soon as practicable following such Separation from Service (subject to Section VIII.14), based on the fair market value of the underlying shares on the vesting date, or in the case of options, based on the excess of the fair market value of the underlying shares over the option exercise price on the vesting date. If any Option, Restricted Stock Award, Restricted Stock Unit Award or Performance Stock Unit Award that is unvested at the effective time of the Change in Control is not replaced with a Replacement Award, such Award shall immediately vest and, in the case of a Performance Stock Unit Award, shall vest based upon deemed attainment of target performance or actual performance achieved, if greater.

If as a result of a Change in Control, the Common Stock continues to be listed for trading on an Exchange, any unvested Option, Restricted Stock Award, or Restricted Stock Unit Award shall continue to vest according to the terms and conditions of such Award and any Performance Stock Unit Award shall be replaced with a Restricted Stock Unit Award where the number of shares subject to such Restricted Stock Unit Award shall be equal to the

number of Shares assuming attainment of target performance or actual performance achieved, if greater, as of the effective date of the Change in Control with any restrictions on such Restricted Stock Unit Award lapsing at the end of the measuring period over which performance for the replaced Performance Stock Unit Award was to be measured prior to the granting of the Replacement Award; provided however, that, in the event of the Participant's involuntary Separation from Service by the Corporation without Cause or Separation from Service by the Participant for Good Reason during the vesting period of an Award, such Award shall immediately vest and be paid as soon as practicable following such Separation from Service (subject to Section VIII.14).

## **VIII. MISCELLANEOUS**

1. No Effect on Terms of Employment. Participation in the Plan shall not create a right to further employment with the Participant's employer (the "Employer") and shall not interfere with the ability of the Employer to terminate, with or without cause, or change the terms of employment of a Participant at any time.

2. Grants to Participants in Foreign Countries. In making grants to Participants in foreign countries, the Administrator has the full discretion to deviate from this Statement of Terms and Conditions in order to adjust grants under the Plan to prevailing local conditions, including custom and legal and tax requirements. Furthermore, the Corporation reserves the right to impose other requirements on the Participant's participation in the Plan on the Award and on any Shares acquired under the Plan, to the extent the Corporation determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require the Participant to sign any additional agreements or undertaking that may be necessary to accomplish the foregoing.

3. Information Notification. Any information required to be given under the terms of an Award shall be addressed to the Corporation in care of its Corporate Secretary at McKesson Corporation, 6555 North State Highway 161, Irving, Texas 75039, and any notice to be given to a Participant shall be addressed to such Participant at the address indicated beneath the Participant's name on the Award Agreement or such other address as either party may designate in writing to the other. Any such notice shall be deemed to have been duly given when enclosed in a properly sealed envelope or wrapper addressed as aforesaid, registered or certified and deposited (postage or registration or certification fee prepaid) in a post office or branch post office. The parties may use email delivery, so long as the message is clearly marked, sent to the email address(es) set forth herein, and a delivery receipt and a read receipt are made part of the message. Email delivery will be deemed to occur when the sender receives confirmation that such message has been received and read by the recipient. Emails to the Corporation shall be delivered to CorpSecretary@McKesson.com.

4. Administrator Decisions Conclusive. All decisions of the Administrator administering the Plan upon any questions arising under the Plan or under an Award Agreement, shall be conclusive and binding on all interested persons.

5. No Effect on Other Benefit Plans. Nothing herein contained shall affect a Participant's right to participate in and receive benefits from and in accordance with the then current provisions of any pensions, insurance or other employment welfare plan or program offered by the Corporation.

6. Withholding. Regardless of any action the Corporation or the Employer takes with respect to any federal, state or local income tax, social insurance contributions, payroll tax, payment on account or other tax-related items related to the Participant's participation in the Plan and legally applicable to the Participant ("Tax-Related Items"), the Participant acknowledges that the ultimate liability for all Tax-Related Items is and remains the Participant's responsibility and may exceed the amount actually withheld by the Corporation or the Employer. The Participant further acknowledges that the Corporation and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Award, including the grant, vesting, settlement or exercise of the Award, as applicable, the subsequent sale of Shares acquired pursuant to the Plan and the receipt of any dividends and/or dividend equivalents; and (2) do not commit and are under no obligation to structure the terms of the grant or any aspect of the Award to reduce or eliminate the Participant's liability for Tax-Related Items or achieve any particular tax result. Further, if the Participant has become subject to tax in more than one jurisdiction between the Grant Date and the date of any relevant taxable event, the Participant acknowledges that the Corporation and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, as applicable, the Participant will pay or make adequate arrangements satisfactory to the Corporation and/or the Employer, or their respective agents, at their discretion, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following: (1) withholding from the Participant's wages or other cash compensation paid to the Participant by the Corporation and/or the Employer; (2) withholding from proceeds of the sale of Shares acquired under the Plan either through a voluntary sale or through a mandatory sale arranged by the Corporation (on the Participant's behalf pursuant to this

authorization and any other authorization the Corporation and/or the broker designated by the Corporation may require the Participant to sign in connection with the sale of Shares); (3) withholding Shares to be issued upon grant, vesting/settlement or exercise, as applicable; or (4) any other method of withholding determined by the Corporation and to the extent required by applicable law or the Plan, approved by the Compensation Committee. Calculation of the number of Shares to be withheld shall be made based on the closing price of the Common Stock on the New York Stock Exchange on the date that the amount of tax to be withheld is determined. In no event, however, shall the Corporation be required to issue fractional Shares. With respect to an Award other than an Option, if adequate arrangements to satisfy the obligations with regard to all Tax-Related Items are not made by the Participant with the Corporation and/or the Employer prior to the relevant taxable event, the Corporation will satisfy such obligations as provided above in clause (3) of this paragraph.

The Corporation or the Employer may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates, including maximum applicable rates in the Participant's jurisdictions(s). If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, the Participant will be deemed to have been issued the full number of Shares subject to the Award, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of the Participant's participation in the Plan. In the event any excess amounts are withheld to satisfy the obligation for Tax-Related Items, the Participant may be entitled to receive a refund of any over-withheld amount (with no entitlement to the Share equivalent), or if not refunded by the Corporation or the Employer, the Participant must seek a refund from the local tax authorities to the extent the Participant wishes to recover the over-withheld amount in the form of a refund. In the event of under-withholding, the Participant may be required to pay any additional Tax-Related Items directly to the applicable tax authority or to the Corporation and/or the Employer.

Finally, the Participant shall pay to the Corporation or the Employer any amount of Tax-Related Items that the Corporation or the Employer may be required to withhold or account for as a result of the Participant's participation in the Plan that cannot be satisfied by the means previously described. The Corporation may refuse to issue or deliver the Shares or the proceeds of the sale of Shares if the Participant fails to comply with the Participant's obligations in connection with the Tax-Related Items.

The Administrator shall be authorized to establish such rules, forms and procedures as it deems necessary to implement the foregoing.

7. Successors. The Award Agreements shall be binding upon and inure to the benefit of any successor or successors of the Corporation. "Participant" as used herein shall include the Participant's Beneficiary.

8. Delaware Law. The interpretation, performance, and enforcement of all Award Agreements shall be governed by the laws of the State of Delaware.

9. Nature of Grant. In accepting the grant, the Participant acknowledges that:

(A) the Plan is established voluntarily by the Corporation, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Corporation at any time;

(B) the grant of the Award is exceptional, voluntary and occasional and does not create any contractual or other right to receive future Award grants, or benefits in lieu of Awards, even if Awards have been granted repeatedly in the past;

(C) all decisions with respect to future Awards, if any, will be at the sole discretion of the Corporation;

(D) the Participant is voluntarily participating in the Plan;

(E) the Award and the Shares subject to the Award, and the income from and value of same, are not part of normal or expected compensation for any purpose, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments;

(F) the Award will not be interpreted to form an employment contract or relationship with the Corporation; and furthermore, the Award will not be interpreted to form an employment contract with any subsidiary or Affiliate of the Corporation;

(G) the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;

(H) if the underlying Shares do not increase in value, the Options will have no value;

(I) in consideration of the grant of the Award, no claim or entitlement to compensation or damages shall arise from forfeiture of the Award which results from termination of the Participant's employment with the Employer or the Corporation or one of its Affiliates (for any reason whatsoever, and whether or not such forfeiture is later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment agreement, if any) and the Participant irrevocably releases the Corporation or its Affiliates from any such claim that may arise; provided that, notwithstanding the foregoing, in the event any such claim is found by a court of competent jurisdiction to have arisen, then, by accepting the Award, the Participant shall be deemed irrevocably to have waived the Participant's entitlement to pursue such claim;

(J) for purposes of an Award, the Participant's employment relationship will be considered terminated as of the date the Participant is no longer a bona fide employee of the Corporation, the Employer or one of the Corporation's other Affiliates (regardless of the reason for such termination and whether or not later found to be invalid or in breach of the employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment agreement, if any), and unless otherwise expressly provided in this Award Agreement or determined by the Corporation in its sole discretion, the Participant's right to receive Awards and vest in Awards under the Plan, if any, will terminate effective as of such date and will not be extended by any notice period mandated under local law (for example, the Participant's period of service would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment agreement, if any); similarly, any right to exercise Options under the Plan after termination of employment will be measured as of the date the Participant is no longer a bona fide employee of the Corporation, the Employer or one of the Corporation's other Affiliates and will not be extended by any notice period mandated under local law; the Administrator shall have the sole discretion to determine when the Participant is no longer a bona fide employee for purposes of an Award (including whether the Participant may still be considered to be providing services while on a leave of absence);

(K) the Corporation is not providing any tax, legal or financial advice, nor is the Corporation making any recommendations regarding participation in the Plan or the Participant's acquisition or sale of Shares; and

(L) the Participant is hereby advised to consult with the Participant's own personal tax, legal and financial advisors regarding Participant's participation in the Plan before taking any action related to the Plan.

#### 10. **Data Privacy Information and Consent.**

(A) ***Data Collection and Usage.*** *The Corporation and the Employer may collect, process and use certain personal information about the Participant, including, but not limited to, the Participant's name, home address and telephone number, email address, date of birth, social insurance number, passport or other identification number, salary, nationality, job title, any Shares or directorships held in the Corporation, details of all Options, Restricted Stock, Restricted Stock Units, Performance Stock Units, Other Share-Based Awards, or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in the Employee's favor ("Data"), for the purposes of implementing, administering and managing the Plan. The legal basis, where required, for the processing of Data is the Participant's consent.*

(B) ***Stock Plan Administration Service Providers.*** *The Corporation transfers Data to Fidelity Stock Plan Services LLC and its affiliated companies, an independent service provider based in the United States, which is assisting the Corporation with the implementation, administration and management of the Plan. The Corporation may select a different service provider or additional service providers and share Data with such other provider serving in a similar manner. The Participant may be asked to agree on separate terms and data processing practices with the service provider, with such agreement being a condition to the ability to participate in the Plan.*

(C) ***International Data Transfers.*** *The Corporation and its service providers are based in the United States. The Participant's country or jurisdiction may have different data privacy laws and protections than the United States. The Corporation's legal basis, where required, for the transfer of Data is the Participant's consent.*

(D) *Data Retention.* The Corporation will hold and use the Data only as long as is necessary to implement, administer and manage the Participant's participation in the Plan, or as required to comply with legal or regulatory obligations, including under tax and security laws. In the latter case, the Participant understands and acknowledges that the Corporation's legal basis for the processing of the Participant's Data would be compliance with the relevant laws or regulations or the pursuit by the Corporation of respective legitimate interests not outweighed by the Participant's interests, rights or freedoms. When the Corporation no longer needs the Participant's Data for any of the above purposes, the Participant understands the Corporation will remove it from its systems.

(E) *Voluntariness and Consequences of Consent Denial or Withdrawal.* Participation in the Plan is voluntary and the Participant is providing the consents herein on a purely voluntary basis. If the Participant does not consent, or if the Participant later seeks to revoke the Participant's consent, the Participant's salary from or employment with the Employer will not be affected; the only consequence of refusing or withdrawing the Participant's consent is that the Corporation would not be able to grant Awards to the Participant or administer or maintain such Awards.

(F) *Data Subject Rights.* The Participant may have a number of rights under data privacy laws in the Participant's jurisdiction. Depending on where the Participant is based, such rights may include the right to (i) inquire whether and what kind of Data the Corporation holds about the Participant and how it is processed, and to request access or copies of Data the Corporation processes, (ii) request the correction or supplementation of Data about the Participant that is inaccurate, incomplete or out-of-date in light of the purposes underlying the processing, (iii) obtain the erasure of Data no longer necessary for the purposes underlying the processing, processed based on withdrawn consent, processed for legitimate interests that, in the context of the Participant's objection, do not prove to be compelling, or processed in non-compliance with applicable legal requirements, (iv) request restrictions on processing of Data in certain situations where the Participant feels its processing is inappropriate, (v) request portability of the Participant's Data that the Participant has actively or passively provided to the Corporation (which does not include data derived or inferred from the collected data), where the processing of such Data is based on consent or the Participant's employment and is carried out by automated means, (vi) object, in certain circumstances, to the processing of Data for legitimate interests, (vii) lodge complaints with competent authorities in the Participant's jurisdiction, and/or (viii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, the Participant can contact his or her local human resources representative.

By accepting the Award and indicating consent via the Corporation's acceptance procedure, the Participant is declaring that he or she agrees with the data processing practices described herein and consents to the collection, processing and use of Data by the Corporation and the transfer of Data to the recipients mentioned above, including recipients located in countries which do not adduce an adequate level of protection from a European (or other non-U.S.) data protection law perspective, for the purposes described above.

11. Severability. The provisions in this Statement of Terms and Conditions are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

12. Language. The Participant acknowledges that the Participant is proficient in the English language, or has consulted with an advisor who is sufficiently proficient in the English language, and, accordingly, understands the provisions of the Plan and this Statement of Terms and Conditions. If the Participant has received this Statement of Terms and Conditions or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control unless otherwise required by local law.

13. Electronic Delivery. The Corporation may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Corporation or a third party designated by the Corporation.

14. Section 409A. If (A) the Participant is a Specified Employee at the time of the Participant's Separation from Service, and (B) some or any portion of the amounts payable to the Participant, if any, when considered together with any other payments or benefits which may be considered deferred compensation under section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A") and subject to the plan aggregation rules under Treasury Regulation section 1.409A-1(c)(3)(viii) (together, the "Deferred Compensation Benefits") would result in the imposition of additional tax under Section 409A if paid to the Participant on or within the six month period following the Separation from Service, then to the extent such portion of the Deferred



Compensation Benefits resulting in the imposition of additional tax would otherwise have been payable on or within the first six months following the Separation from Service, it will instead become payable on the first payroll date that occurs in the seventh month following the Separation from Service (or such longer period as is required to avoid the imposition of additional tax under Section 409A). All subsequent Deferred Compensation Separation Benefits, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit

15. Recoupment. The Participant acknowledges that any Award granted under the Plan or a predecessor to the Plan shall be subject to the McKesson Corporation Financial Restatement Compensation Recoupment Policy, as amended from time to time, which is incorporated herein by reference.

## **IX. DEFINITIONS**

When capitalized in this Statement of Terms and Conditions, the following terms shall have the meaning set forth below:

1. "Award Agreement" means an agreement between the Participant and the Corporation evidencing the grant of an Option, Restricted Stock Award, Restricted Stock Unit Award, Performance Stock Unit Award or Other Share-Based Award, as applicable.

2. "Cause" means termination of the Participant's employment with the Corporation or an Affiliate upon the Participant's negligent or willful engagement in misconduct which, in the sole determination of the Chief Executive Officer of the Corporation (or the Chief Executive Officer's designee), is injurious to the Corporation, its employees, or its customers.

3. "Early Retirement" means a termination of employment (other than due to death, Long-Term Disability or for Cause) which occurs prior to Normal Retirement but on or after the date on which the Participant's age (expressed in terms of years and completed months) plus service with the Corporation or an Affiliate equals 65. For purposes of determining eligibility for Early Retirement, the term "service" shall include years and completed whole months of service.

4. "Family Member" means any person identified as an "immediate family" member in Rule 16(a)-1(e) of the Exchange Act, as such Rule may be amended from time to time. Notwithstanding the foregoing, the Administrator may designate any other person(s) or entity(ies) as a "family member."

5. "Good Reason" means any of the following actions, if taken without the express written consent of the Participant:

(A) Any material change by the Corporation in the Participant's functions, duties, or responsibilities, which change would cause the Participant's position with the Corporation to become of less dignity, responsibility, importance, or scope from the position and attributes that applied to the Participant immediately prior to the Change in Control;

(B) Any significant reduction in the Participant's aggregate base annual salary and target incentive opportunity, as in effect immediately prior to the Change in Control;

(C) Any material failure by the Corporation to comply with any of the provisions of an Award subsequent to a Change in Control;

(D) The Corporation's requiring the Participant to be based at any location which would increase the Participant's regular one-way commute by more than 25 miles from that in effect immediately preceding the Change in Control, except for travel reasonably required in the performance of the Participant's responsibilities; or

(E) Any change in the person to whom the Participant reports, as this relationship existed immediately prior to a Change in Control;

Provided that the Participant gives notice to the Corporation of the existence of the Good Reason condition within 30 days of the initial existence of the Good Reason condition and the Corporation is provided 30 days after receipt of the Participant's notice to remedy the Good Reason condition; provided further that the Participant's Separation from Service must occur within six months from the initial existence of the Good Reason condition if the Corporation does not remedy such condition for such separation to be considered to be for Good Reason.

6. “Expiration Date” means the date that an Option expires as set forth in the Option Grant Notice as the “Expiration Date.”

7. “Grant Date” means the date the Administrator grants the Award.

8. “Grant Notice” means the notice of an Award granted to the Participant, which sets forth certain terms of such Award.

9. “Long-Term Disability” means a physical or mental condition in respect of which the administrator of the Corporation’s long-term disability plan has determined that the Participant is eligible to receive income replacement benefits; or, if the Participant is not then a participant in the Corporation’s long-term disability plan, a physical or mental condition that the administrator of the Corporation’s long-term disability plan determines would have rendered the Participant eligible to receive income replacement benefits, had the Participant been enrolled in such plan.

10. “Normal Retirement” means termination of employment (other than due to death, Long-Term Disability or for Cause) at or after age 60 with at least 10 years of service with the Corporation or an Affiliate. For purposes of determining eligibility for Normal Retirement, “service” shall mean completed whole years of service (12 consecutive months).

11. “Option Period” means the period commencing on the Grant Date of an Option and, except as otherwise provided in Section II.5, ending on the Expiration Date.

12. “Separation from Service” means termination of employment with the Corporation or an affiliate. A Participant shall be deemed to have had a Separation from Service if the Participant’s service with the Corporation or an affiliate is reduced to an annual rate that is equal to or less than 20% of the services rendered, on average, during the immediately preceding three years of service with the Corporation or an affiliate (or, if providing service to the Corporation or an affiliate for less than three years, such lesser period).

13. “Severance” means termination of employment with the Corporation or an Affiliate, and qualified for participation in and entitlement to benefits under the McKesson Corporation Severance Pay Plan or the McKesson Corporation Severance Policy for Executive Employees, as applicable, in accordance with the terms and conditions of such plans. A Participant outside the United States who is not qualified for participation in and entitlement to the benefits under such plans will nonetheless be treated for the limited purposes of his or her Awards, and subject to the provisions of Section VIII.9 of this Statement of Terms and Conditions, as terminated by reason of Severance to the extent his or her employment with the Corporation or an Affiliate is terminated and he or she would satisfy the conditions for termination for reason of Severance but for the fact that such plan is only applicable to employees of the Corporation or an Affiliate in the United States who qualify for participation in that plan.

14. “Short-Term Disability” means short-term disability as defined in the Corporation’s short-term disability plan.

15. “Specified Employee” means those employees identified by the Corporation as “Specified Employees” for purposes of Code Section 409A.

16. “Stock Ownership Policy” means the Corporation’s Stock Ownership Policy, as amended from time to time, which can be found on McKNet. A Participant or a Participant’s beneficiary may also request a copy of the Stock Ownership Policy by writing to the Corporate Secretary at McKesson Corporation, 6555 North State Highway 161, Irving, Texas 75039 or emailing CorpSecretary@McKesson.com.

**EMPLOYEES SUBJECT TO STOCK OWNERSHIP POLICY**  
**McKESSON CORPORATION**  
**STATEMENT OF TERMS AND CONDITIONS APPLICABLE TO**  
**OPTIONS, RESTRICTED STOCK, RESTRICTED STOCK UNITS**  
**AND PERFORMANCE STOCK UNITS GRANTED TO EMPLOYEES SUBJECT TO STOCK**  
**OWNERSHIP POLICY PURSUANT TO THE 2022 STOCK PLAN**

**For Grants beginning October 23, 2023**

**I. INTRODUCTION**

The following terms and conditions shall apply to an Award granted under the Plan and are subject to the terms and conditions of the Plan. This Statement of Terms and Conditions is intended to meet the requirements of Code Section 409A and any rules promulgated thereunder. In the event of any inconsistency between this Statement of Terms and Conditions and the Plan, the Plan shall govern. Capitalized terms not otherwise defined in this Statement of Terms and Conditions shall have the meaning set forth in the Plan.

**II. OPTIONS**

1. Option Agreement. An Option granted under the Plan shall be evidenced by an Option Agreement setting forth the terms and conditions of the Option, including whether the Option is an Incentive Stock Option or a Nonstatutory Stock Option and the number of Shares subject to the Option. Each Option Grant Notice shall incorporate by reference and be subject to this Statement of Terms and Conditions, including the special terms and conditions in the Appendix for the Participant's country (if any) which forms part of this Statement of Terms and Conditions, and together both documents shall constitute the Option Agreement. The Option is also subject to the terms and conditions of the Plan.

2. Exercise Price. The Exercise Price of an Option, as specified in the Option Agreement, shall be equal to or greater than the Fair Market Value of the Shares underlying the Option on the Grant Date.

3. Option Period. An Option shall be exercisable only during the applicable Option Period, and during such Option Period the exercisability of the Option shall be subject to the vesting provisions of Section II.4 as modified by the rules set forth in Sections II.5 and VI. The Option Period shall be not more than seven years from the Grant Date.

4. Vesting of Right to Exercise Options.

(A) Subject to Sections II.5 and VI, an Option shall be exercisable during the Option Period in accordance with the vesting terms and conditions established on the Grant Date and specified in the Option Grant Notice.

(B) Any vested portion of an Option not exercised hereunder shall accumulate and be exercisable at any time on or before the Expiration Date, subject to the rules set forth in Sections II.5 and VI. No Option may be exercised for less than 5% of the total number of Shares then available for exercise under such Option. In no event shall the Corporation be required to issue fractional Shares.

5. Limits on Option Period and Acceleration of Vesting. The Option Period may end before the Expiration Date, and in certain circumstances the vesting schedule of an Option may be accelerated (subject to the provisions of Section VI), as follows:

(A) If a Participant ceases to be a bona fide employee of the Corporation or of its Affiliates during the Option Period for reasons other than for Cause, Long-Term Disability, Normal Retirement, Early Retirement, Severance under the circumstances provided in Section II.5(F)(ii), or death, the Option Period shall end on the earlier of (i) 90 days after the date of the Participant's termination of employment and (ii) the Expiration Date, and in all cases the Option shall be exercisable only to the extent that it was exercisable at the time of such termination of employment. If a Participant is absent from work with the Corporation or an Affiliate because of the Participant's Short-Term Disability or because the Participant is on an approved leave of absence, the Participant shall not be deemed during the period of any such absence, by virtue of such absence alone, to have terminated employment with the Corporation or an Affiliate except as the Administrator may otherwise expressly determine.

(B) Notwithstanding any other provision in this Section II.5, if a Participant's employment is terminated for Cause during the Option Period, the Option Period shall end on the date of such termination of employment and the Option shall thereupon not be exercisable to any extent whatsoever.

(C) If a Participant ceases to be a bona fide employee of the Corporation or of its Affiliates during the Option Period by reason of Long-Term Disability, the vesting schedule of the Participant's Option shall be accelerated, the Option shall become fully exercisable and the Option Period shall end on the earlier of (i) three years after the date of the Participant's termination of employment and (ii) the Expiration Date.

(D) If a Participant ceases to be a bona fide employee of the Corporation or of its Affiliates during the Option Period by reason of Early Retirement, (i) the Option shall be exercisable only to the extent that it was exercisable at the time of such retirement and (ii) the Option Period for that portion of the Option designated as a Nonstatutory Stock Option shall end on the earlier of (a) three years after the date of such retirement and (b) the Expiration Date.

(E) If a Participant ceases to be a bona fide employee of the Corporation or of its Affiliates during the Option Period by reason of Normal Retirement:

(i) If such Normal Retirement occurs prior to the first anniversary of the Grant Date of the Option, such Option shall be subject to the provisions of Section II.5(D) as though the Participant were eligible for Early Retirement; or

(ii) If such Normal Retirement occurs on or after the first anniversary of the Grant Date of an Option, (a) that portion of the Option designated as a Nonstatutory Stock Option shall continue to vest as though the Participant had continued to be employed by the Corporation or one of its Affiliates during such vesting period, and (b) the Option Period for such portion of the Option designated as a Nonstatutory Stock Option shall end on the Expiration Date.

(F) If a Participant ceases to be a bona fide employee of the Corporation or of its Affiliates during the Option Period by reason of Severance, and

(i) The Participant has attained the requirements for Normal Retirement on or prior to the Participant's termination date, then such Option shall be subject to the Normal Retirement provisions of Section II.5(E); or

(ii) The Participant has not attained the requirements for Normal Retirement on or prior to the Participant's termination date, but would have attained the requirements for Normal Retirement within six months after the termination date, and

(a) The first anniversary of the Grant Date of the applicable Award has not occurred on or prior to the termination date, then such Option shall be subject to the Early Retirement provision in Section II.5(D); or

(b) The first anniversary of the Grant Date of the applicable Award has occurred on or prior to the termination date, then (x) that portion of the Option designated as a Nonstatutory Stock Option shall continue to vest as though the Participant had continued to be employed by the Corporation or one of its Affiliates during such vesting period, and (y) the Option Period for such portion of the Option designated as a Nonstatutory Stock Option shall end on the Expiration Date; or

(iii) The Participant has not attained the requirements for Normal Retirement on or prior to the Participant's termination date, and would not have attained the requirements for Normal Retirement within six months after the termination date, then (a) the vesting schedule of the Participant's Option shall be accelerated as to the portion of the Option that would have vested in accordance with the original vesting schedule as though the Participant had continued to be employed by the Corporation or one of its Affiliates six months after the termination date, and (b) the expiration of the Option Period provided in Section II.5(A) shall apply; provided that if the Participant is also eligible for Early Retirement at the time of the termination of employment, then the expiration of the Option Period provided in Section II.5(D) shall apply.

(G) If a Participant should die (i) while in the employ of the Corporation or an Affiliate and (ii) during the Option Period, the vesting schedule of the Participant's Option shall be accelerated and the Option shall become fully exercisable, the Option Period shall end on the earlier of (a) three years after the date of death and

(b) the Expiration Date, and the Participant's Beneficiary may exercise the entire unexercised portion of the then exercisable Shares covered by such Option (or any lesser amount) remaining on the date of death.

(H) If a Participant who ceases to be a bona fide employee of the Corporation or an Affiliate is subsequently rehired prior to the expiration of the Participant's Option, then the Option shall continue to remain outstanding until the earlier of (i) such time as the Participant subsequently terminates employment and (ii) the Expiration Date. Upon the Participant's subsequent termination of employment, the post-termination exercise period calculated pursuant to the terms and conditions of this Section II.5 shall be reduced by the number of days between the date of the Participant's initial termination of employment and the Participant's re-hire date; provided, however, that if the rehired Participant continues to be employed by the Corporation or an Affiliate for at least one year from the Participant's rehire date, then the post termination exercise period for the Option shall be determined in accordance with Sections II.5(A) through (G) and shall not be adjusted as described in this Section II.5(H).

6. Method of Exercise. A Participant may exercise an Option with respect to all or any part of the exercisable Shares as follows:

(A) By giving the Corporation, or its authorized representative designated for this purpose, written notice of such exercise specifying the number of Shares as to which the Option is so exercised. Such notice shall be accompanied by an amount equal to the Exercise Price multiplied by the number of Shares exercised, in the form of any one or combination of the following: cash or a certified check, bank draft, postal or express money order payable to the order of the Corporation in lawful money of the United States. Unless otherwise determined by the Administrator in its sole discretion, the Participant may pay the Exercise Price, in whole or in part, by tendering to the Corporation or its authorized representative Shares, which have been owned by the Participant for at least six months prior to said tender, and having a fair market value, as determined by the Corporation, equal to the Exercise Price, or in lieu of the delivery of actual Shares in such tender, the Corporation may accept an attestation by the Participant, in a form prescribed by the Corporation or its authorized representative, that the Participant owns sufficient Shares of record or in an account in street name to satisfy the Exercise Price, and such attestation will be deemed a tender of Shares for purposes of this method of exercise. The Corporation or its authorized representative may accept payment of the amount due upon the exercise of the Option in the form of a Participant's personal check. Payment may also be made by delivery (including by FAX transmission) to the Corporation or its authorized representative of an executed irrevocable Option exercise form together with irrevocable instructions to an approved registered investment broker to sell Shares in an amount sufficient to pay the Exercise Price plus any applicable Tax-Related Items (as defined in Section VIII.6) and to transfer the proceeds of such sale to the Corporation.

(B) If required by the Corporation, by giving satisfactory assurance in writing, signed by the Participant, the Participant shall give the Participant's assurance that the Shares subject to the Option are being purchased for investment and not with a view to the distribution thereof; provided that such assurance shall be deemed inapplicable to (i) any sale of the Shares by such Participant made in accordance with the terms of a registration statement covering such sale, which has heretofore been (or may hereafter be) filed and become effective under the U.S. Securities Act of 1933, as amended (the "Securities Act") and with respect to which no stop order suspending the effectiveness thereof has been issued, and (ii) any other sale of the Shares with respect to which, in the opinion of counsel for the Corporation, such assurance is not required to be given in order to comply with the provisions of the Securities Act.

(C) As soon as practicable after receipt of the notice and the assurance described in Sections II.6(A) and (B), the Corporation shall, without transfer or issue tax (except for withholding tax arrangements contemplated in Section VIII.6) and without other incidental expense to the Participant, credit the purchased Shares to the Participant's brokerage account of record. If the Participant does not have a brokerage account of record, then the Corporation shall cause an appropriate book entry to be entered in the records of the Corporation's transfer agent recording the Participant's unrestricted interest in the purchased Shares; provided, however, that the time of such delivery may be postponed by the Corporation for such period as may be required for it with reasonable diligence to comply with applicable registration requirements under the Securities Act, the Exchange Act, any applicable listing requirements of any national securities exchange and requirements under any other law or regulation applicable to the issuance or transfer of the Shares.

7. Limitations on Transfer. An Option shall, during a Participant's lifetime, be exercisable only by the Participant. No Option or any right granted thereunder shall be transferable by the Participant by operation of law or otherwise, other than by will or the laws of descent and distribution. Notwithstanding the foregoing: (A) unless otherwise determined by the Administrator in its sole discretion, a Participant may designate a beneficiary to succeed, after the Participant's death, to all of the Participant's Options outstanding on the date of death; (B) a Nonstatutory Stock Option may be transferable pursuant to a qualified domestic relations order as defined in the Code or Title I of the U.S. Employee Retirement Income Security Act; and (C) any Participant, who is a senior executive officer recommended by the Chief Executive Officer of the Corporation and approved by the

Administrator may voluntarily transfer any Nonstatutory Stock Option to a Family Member as a gift or through a transfer to an entity in which more than 50% of the voting interests are owned by Family Members (or the Participant) in exchange for an interest in that entity. In the event of any attempt by a Participant to alienate, assign, pledge, hypothecate, or otherwise dispose of an Option or of any right thereunder, except as provided herein, or in the event of the levy of any attachment, execution, or similar process upon the rights or interest hereby conferred, the Corporation at its election may terminate the affected Option by notice to the Participant and the Option shall thereupon become null and void.

8. No Stockholder Rights. Neither a Participant nor any person entitled to exercise a Participant's rights in the event of the Participant's death shall have any of the rights of a stockholder with respect to the Shares subject to an Option except to the extent that a book entry has been entered in the records of the Corporation's transfer agent with respect to such Shares upon the exercise of an Option.

### III. RESTRICTED STOCK

1. Restricted Stock Agreement. A Restricted Stock Award granted under the Plan shall be evidenced by a Restricted Stock Agreement to be executed by the Participant and the Corporation setting forth the terms and conditions of the Restricted Stock Award. Each Restricted Stock Grant Notice shall incorporate by reference and be subject to this Statement of Terms and Conditions, including the special terms and conditions in the Appendix for the Participant's country (if any) which forms part of this Statement of Terms and Conditions, and together both documents shall constitute the Restricted Stock Agreement. The Restricted Stock Award is also subject to the terms and conditions of the Plan.

2. Rights with Respect to Shares of Restricted Stock. Upon written acceptance of a Restricted Stock Award by a Participant, including the restrictions and other terms and conditions described in the Plan and the Restricted Stock Agreement, the Corporation shall cause an appropriate book entry to be entered in the records of the Corporation's transfer agent recording the Participant's interest in the Restricted Stock. From and after the Grant Date, the Participant shall have the rights of Common Stock ownership, including the right to vote and to receive dividends on Shares of Restricted Stock, subject to the terms, conditions and restrictions described in the Plan and the Restricted Stock Agreement.

3. Special Restrictions. Each Restricted Stock Award made under the Plan shall be subject to the following terms, conditions and restrictions and such additional terms, conditions and restrictions as may be determined by the Administrator; provided, however, that no Restricted Stock grant shall be subject to additional terms, conditions and restrictions which are more favorable to a Participant than the terms, conditions and restrictions set forth elsewhere in the Plan or the Restricted Stock Agreement.

(A) Restrictions. Until the restrictions imposed on any Restricted Stock grant shall lapse (the "Restriction Period"), Shares of Restricted Stock granted to a Participant (i) shall not be sold, assigned, transferred, pledged, hypothecated, or otherwise disposed of, other than pursuant to a qualified domestic relations order as defined in the Code or Title I of the U.S. Employee Retirement Income Security Act and (ii) shall, if the Participant's continuous employment with the Corporation or any of its Affiliates shall terminate for any reason (except as otherwise provided in the Plan, or in Section III.3(B) or Section III.3(C)) be returned to the Corporation forthwith, and all the rights of the Participant to such Shares shall immediately terminate. If a Participant is absent from work with the Corporation or an Affiliate because of the Participant's Short-Term Disability or because the Participant is on an approved leave of absence, the Participant shall not be deemed during the period of any such absence, by virtue of such absence alone, to have terminated employment with the Corporation or an Affiliate except as the Administrator may otherwise expressly determine.

(B) Termination of Employment by Reason of Death, Long-Term Disability or Normal Retirement. Notwithstanding any provision to the contrary contained in the Restricted Stock Grant Notice, if a Participant who has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date of a Restricted Stock Award ceases to be a bona fide employee of the Corporation or an Affiliate as a result of:

(i) Death or Long-Term Disability, then the restrictions imposed on any Restricted Stock Award shall lapse as to all Shares granted to such Participant pursuant to such Restricted Stock Award on the date of such termination; or

(ii) Normal Retirement on or after the first anniversary of the Grant Date of any time-vesting Restricted Stock Award, the restrictions applicable to such Restricted Stock Award shall continue to lapse at such time(s) as are set forth in the applicable Grant Notice, as though the Participant had continued to be employed by the Corporation or one of its Affiliates during such restricted period; provided, that notwithstanding any other provision of the Plan or this Statement of Terms and Conditions,

this Section III.3(B)(ii) shall not apply to any Restricted Stock Award the vesting of which is based, in whole or in part, on attainment of performance objectives. The procedures set forth in Section VIII.6 will be applied for any taxes due upon the lapse of restrictions imposed on a Restricted Stock Award due to a Participant's Normal Retirement eligibility.

(C) Termination of Employment by Reason of Severance. Notwithstanding any provision to the contrary contained in the Restricted Stock Grant Notice, if a Participant who has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date of a Restricted Stock Award ceases to be a bona fide employee of the Corporation or an Affiliate as a result of Severance, and:

(i) The Participant either (a) has attained the requirements for Normal Retirement on or prior to the Participant's termination date or (b) would have attained the requirements for Normal Retirement within six months after the Participant's termination date, then any time-vesting Restricted Stock Award shall be subject to the Normal Retirement provisions of Section III.3(B)(ii); or

(ii) The Participant has not attained the requirements for Normal Retirement on or prior to the Participant's termination date, and would not have attained the requirements for Normal Retirement within six months after the Participant's termination date, then the restrictions applicable to any time-vesting Restricted Stock Award shall lapse upon the Participant's termination date, as to such Shares of Restricted Stock that would have vested at such time(s) as are set forth in the applicable Grant Notice as if the Participant had continued to be employed by the Corporation or one of its Affiliates during the six-month period after the Participant's termination date.

Notwithstanding the foregoing, this Section III.3(C) shall not apply to any Restricted Stock Award the vesting of which is based, in whole or in part, on attainment of performance objectives. The procedures set forth in Section VIII.6 will be applied for any taxes due upon the lapse of restrictions imposed on a Restricted Stock Award due to a Participant's Normal Retirement eligibility.

(D) Restriction on Sale. The Administrator reserves the right to impose a restriction on the sale of Shares that the Participant receives upon the vesting and settlement of a Restricted Stock Award, unless the Participant has satisfied the ownership targets applicable to the Participant as provided in the Stock Ownership Policy.

4. Dividends. Cash dividends paid with respect to Restricted Stock during the Restriction Period shall be credited on behalf of the Participant to a deferred cash account (in a manner designed to comply with Code Section 409A) and the restrictions on such cash dividends shall lapse at the same time that the restrictions lapse on the associated Restricted Stock Award. Stock dividends paid with respect to Restricted Stock during the Restriction Period shall be treated as Restricted Stock which shall be subject to the same restrictions as the original award for the duration of the Restriction Period.

5. Election to Recognize Gross Income in the Year of Grant. If any Participant who is a U.S. taxpayer validly elects within 30 days of the Grant Date, to include in gross income for federal income tax purposes an amount equal to the fair market value of the Shares of Restricted Stock granted on the Grant Date, such Participant shall (at the same time or prior to the date that the Participant files the Participant's election with the Internal Revenue Service) (A) pay to the Corporation, or make arrangements satisfactory to the Administrator to pay to the Corporation in the year of such grant, any federal, state or local taxes required to be withheld with respect to such Shares in accordance with Section VIII.6, and (B) provide the Administrator with a copy of the election filed with the Internal Revenue Service.

6. Restrictive Legend. Each book entry in the records of the Corporation's transfer agent evidencing Shares granted pursuant to a Restricted Stock grant may bear an appropriate legend referring to the terms, conditions and restrictions described in the Plan and/or the Restricted Stock Agreement.

7. Expiration of Restriction Period. If and when the Restriction Period applicable to the Restricted Stock expires without a prior forfeiture, Shares shall be credited to the Participant's brokerage account of record. If the Participant does not have a brokerage account of record, then an appropriate book entry recording the Participant's interest in the unrestricted Shares shall be entered on the records of the Corporation's transfer agent.

#### **IV. RESTRICTED STOCK UNITS**

1. Restricted Stock Unit Agreement. Restricted Stock Units granted under the Plan shall be evidenced by a Restricted Stock Unit Agreement to be executed by the Participant and the Corporation setting forth the terms and conditions of the Restricted Stock Units. Each Restricted Stock Unit Grant Notice shall incorporate by

reference and be subject to this Statement of Terms and Conditions, including the special terms and conditions in the Appendix for the Participant's country (if any) which forms part of this Statement of Terms and Conditions, and together both documents shall constitute the Restricted Stock Unit Agreement. The Restricted Stock Units are also subject to the terms and conditions of the Plan.

2. Special Restrictions. Restricted Stock Units granted under the Plan shall be subject to the following terms, conditions and restrictions and such additional terms, conditions and restrictions as may be determined by the Administrator, consistent with the terms of the Plan.

(A) Restrictions. If a Participant ceases to be a bona fide employee of the Corporation or any Affiliate (except as otherwise provided in the Plan, or in Section IV.2(B) or Section IV.2(C)) prior to the lapse of the restrictions imposed on the Award, the unvested Restricted Stock Units shall be canceled, and all the rights of the Participant to such Awards shall immediately terminate. If a Participant is absent from work with the Corporation or an Affiliate because of the Participant's Short-Term Disability or because the Participant is on an approved leave of absence, the Participant shall not be deemed during the period of any such absence, by virtue of such absence alone, to have terminated employment with the Corporation or an Affiliate except as the Administrator may otherwise expressly determine.

(B) Termination of Employment by Reason of Death, Long-Term Disability or Normal Retirement. Notwithstanding any provision contained to the contrary in the Restricted Stock Unit Grant Notice, if a Participant who has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date of such Award ceases to be a bona fide employee of the Corporation or an Affiliate as a result of:

(i) Death or Long-Term Disability, then the restrictions imposed on any Award of Restricted Stock Units shall lapse on the date of such termination; or

(ii) Normal Retirement on or after the first anniversary of the Grant Date of any time-vesting Restricted Stock Units, the restrictions applicable to such Restricted Stock Units shall continue to lapse at such time(s) as are set forth in the applicable Grant Notice, as though the Participant had continued to be employed by the Corporation or one of its Affiliates during such restricted period.

(C) Termination of Employment by Reason of Severance. Notwithstanding any provision to the contrary contained in the Restricted Stock Unit Grant Notice, if a Participant who has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date of a Restricted Stock Unit Award ceases to be a bona fide employee of the Corporation or an Affiliate as a result of Severance, and:

(i) The Participant either (a) has attained the requirements for Normal Retirement on or prior to the Participant's termination date or (b) would have attained the requirements for Normal Retirement within six months after the Participant's termination date, then any time-vesting Restricted Stock Unit Award shall be subject to the Normal Retirement provisions of Section IV.2(B)(ii); or

(ii) The Participant has not attained the requirements for Normal Retirement on or prior to the Participant's termination date, and would not have attained the requirements for Normal Retirement within six months after the Participant's termination date, then the restrictions applicable to any time-vesting Restricted Stock Unit Award shall lapse upon the termination date, as to such Restricted Stock Units that would have vested at such time(s) as are set forth in the applicable Grant Notice as if the Participant had continued to be employed by the Corporation or one of its Affiliates during the six-month period after the termination date.

(D) Restriction on Sale. The Administrator reserves the right to impose a restriction on the sale of Shares that the Participant receives upon the settlement of Restricted Stock Units, unless the Participant has satisfied the ownership targets applicable to the Participant as provided in the Stock Ownership Policy.

3. Dividend Equivalents. Subject to the discretion of the Compensation Committee, dividend equivalents shall be credited in respect of Restricted Stock Units. Cash dividends shall be credited on behalf of the Participant to a deferred cash account (in a manner designed to comply with Code Section 409A) and the restrictions on such cash dividends shall lapse at the same time that the restrictions lapse on the associated Award of Restricted Stock Units, and cash dividends shall be paid in a lump sum at the same time that the Shares underlying the Restricted Stock Unit Award, and to which the cash dividends relate, are distributed. Stock dividends shall be converted into additional Restricted Stock Units, which will be subject to all of the terms and conditions of the underlying Restricted Stock Units, including the same vesting restrictions as the underlying Award.



4. Assignability. A Participant shall not be permitted to sell, transfer, pledge, assign or encumber Restricted Stock Units, other than pursuant to a qualified domestic relations order as defined in the Code or Title I of the U.S. Employee Retirement Income Security Act.

5. No Stockholder Rights. Neither a Participant nor any person entitled to exercise a Participant's rights in the event of the Participant's death shall have any of the rights of a stockholder with respect to an Award of Restricted Stock Units except to the extent that a book entry has been entered in the records of the Corporation's transfer agent with respect to the Shares paid upon the settlement of any vested Restricted Stock Units.

6. Time of Payment of Restricted Stock Units. Upon the lapse of the restriction imposed on Restricted Stock Units, all Restricted Stock Units that were not forfeited pursuant to Section IV.2(A), Section IV.2(B)(i), Section IV.2(C)(i), or Section VI shall be paid to the Participant as soon as reasonably practicable after the restrictions lapse. Payment shall be made in Shares to the Participant's brokerage account of record. If the Participant does not have a brokerage account of record, then in the form of an appropriate book entry entered in the records of the Corporation's transfer agent recording the Participant's unrestricted interest in the number of Shares subject to the Restricted Stock Units.

Notwithstanding the foregoing, if a Participant becomes eligible for Normal Retirement, or is eligible for additional vesting under Section IV.2(C)(ii), prior to the date of the lapse of restrictions imposed on Restricted Stock Units and the vesting provisions of Section IV.2(B)(ii) or Section IV.2(C)(ii) apply, then such Restricted Stock Units shall be paid to the Participant's brokerage account of record as soon as reasonably practicable after the earlier of the Participant's Separation from Service or the originally scheduled vesting date (in any event before the end of the calendar year in which such date occurs), subject to the delay of payment (if applicable) provided in Section VIII.14. The procedures set forth in Section VIII.6 will be applied for any taxes due upon the lapse of restrictions imposed on a Restricted Stock Unit Award due to a Participant's Normal Retirement eligibility or additional vesting as provided in Section IV.2(C)(ii).

## **V. PERFORMANCE STOCK UNITS**

1. Award Agreement. Performance Stock Unit Awards shall be evidenced by a Performance Stock Unit Agreement to be executed by the Participant and the Corporation setting forth the terms and conditions of the Performance Stock Unit Award. Performance Stock Unit Awards are "Performance Awards" as provided under Section 10 of the Plan. Each Performance Stock Unit Agreement shall incorporate by reference and be subject to this Statement of Terms and Conditions, including the special terms and conditions in the Appendix for the Participant's country (if any) which forms part of this Statement of Terms and Conditions, and together both documents shall constitute the Performance Stock Unit Agreement. Performance Stock Unit Awards are also subject to the terms and conditions of the Plan.

2. Number of Shares Granted Based on Performance. The performance period of a Performance Stock Unit Award shall be greater than one year, and performance shall be based on such criteria as the Compensation Committee shall determine in its discretion at the beginning of the performance period. Following the end of the performance period, the Compensation Committee shall determine the extent to which the criteria have been achieved, and shall authorize the grant and issuance of Shares in respect of the Performance Stock Unit Award.

3. Special Conditions. Performance Stock Unit Awards shall be subject to the following terms, conditions and restrictions and such additional terms, conditions and restrictions as may be determined by the Compensation Committee, consistent with the terms of the Plan.

(A) Forfeiture. If a Participant ceases to be a bona fide employee of the Corporation or any Affiliate (except as otherwise provided in the Plan or in Section V.3(B) or Section V.3(C)) prior to the end of the performance period, any then-outstanding Performance Stock Units shall be canceled, and all the rights of the Participant to such Award shall immediately terminate. If a Participant is absent from work with the Corporation or an Affiliate because of the Participant's Short-Term Disability or because the Participant is on an approved leave of absence, the Participant shall not be deemed during the period of any such absence, by virtue of such absence alone, to have terminated employment with the Corporation or an Affiliate except as the Compensation Committee may otherwise expressly determine.

(B) Termination of Employment by Reason of Death, Long-Term Disability or Normal Retirement. Notwithstanding any provision contained herein or in the Plan or the Award Agreement to the contrary, if a Participant who has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date of such Award ceases to be a bona fide employee of the Corporation or an Affiliate as a result of:

(i) Death or Long-Term Disability, the Participant shall be eligible to receive, following completion of the applicable performance period, a prorated portion of each such Performance Stock Unit Award, equal to (1) the target number of Performance Stock Units subject to such Award, *multiplied by* (2) the performance criteria determined by the Compensation Committee to apply to such Award, *multiplied by* (3) a fraction, the numerator of which is the number of whole calendar months, rounded down to the nearest whole month, during which the Participant provided Service to the Corporation or an Affiliate during the performance period applicable to such Award, and the denominator of which is the number of calendar months in such performance period; provided, that for purposes of this clause (3), “whole calendar months” shall be calculated commencing on the applicable Grant Date; provided, however, that in no event shall such amount exceed any applicable cap or limitation set forth in the Performance Stock Unit Grant Notice; or

(ii) Normal Retirement on or after the first anniversary of the Grant Date, the Participant shall be eligible to vest in such Performance Stock Unit Award following completion of the applicable performance period, as though the Participant had continued to be employed by the Corporation or one of its Affiliates through the date on which the Compensation Committee determines performance against the applicable performance goals.

Amounts, if any, to be paid under this Section V.3(B) shall be paid in accordance with Section V.7 and, if applicable, Section VIII.14.

(C) Termination of Employment by Reason of Severance. Notwithstanding any provision to the contrary, if the Participant has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date and ceases to be a bona fide employee of the Corporation or an Affiliate as a result of Severance, and:

(i) The Participant either (a) has attained the requirements for Normal Retirement on or prior to the Participant’s termination date or (b) would have attained the requirements for Normal Retirement within six months after the Participant’s termination date, then any Performance Stock Unit Award shall be subject to the Normal Retirement provisions of Section V.3(B)(ii); or

(ii) The Participant has not attained the requirements for Normal Retirement on or prior to the Participant’s termination date, and would not have attained the requirements for Normal Retirement within six months after the Participant’s termination date, then if such Participant’s termination date is no greater than six months prior to the date on which the Compensation Committee determines performance against the applicable performance goals, such Participant shall be eligible to vest in such Performance Stock Unit Award following completion of the applicable performance period, as though the Participant had continued to be employed by the Corporation or one of its Affiliates through such performance determination date.

Amounts, if any, to be paid under this Section V.3(C) shall be paid in accordance with Section V.7 and, if applicable, Section VIII.14.

(D) Restriction on Sale of Shares. The Administrator reserves the right to impose a restriction on the sale of Shares that the Participant receives with respect to the settlement of a Performance Stock Unit Award, unless the Participant has satisfied the ownership targets applicable to the Participant as provided in the Stock Ownership Policy.

4. Dividend Equivalents. Unless otherwise determined by the Compensation Committee in its sole discretion, Dividend Equivalents shall not be accrued with respect to Performance Stock Unit Awards during the performance period.

5. Assignability. A Participant shall not be permitted to sell, transfer, pledge, assign or encumber all or any portion of a Performance Stock Unit Award.

6. No Stockholder Rights. Neither a Participant nor any person entitled to exercise a Participant’s rights in the event of the Participant’s death shall have any of the rights of a stockholder with respect to a Performance Stock Unit Award, except to the extent that a book entry has been entered in the records of the Corporation’s transfer agent with respect to the Shares paid upon the settlement of any Performance Stock Unit Award.

7. Time of Payment of Performance Stock Units. The Compensation Committee shall determine the extent to which Shares are payable pursuant to a Performance Stock Unit Award as soon as practicable following the end of the performance period, and such Shares shall be paid as soon as practicable thereafter and in any event no later than the end of the period under which payment would be deemed to be a “short-term deferral” as defined in the regulations under Code Section 409A. Payment shall be made in the form of Shares to the Participant’s brokerage account of record. If the Participant does not have a brokerage account of record, then in the form of an appropriate book entry entered in the records of the Corporation’s transfer agent recording the Participant’s unrestricted interest in the number of Shares earned pursuant to the Performance Stock Unit Award.

## **VI. SPECIAL FORFEITURE AND REPAYMENT RULES**

Any other provision of this Statement of Terms and Conditions to the contrary notwithstanding, if the Administrator determines that a Participant has engaged in any of the actions described in 3 below, the consequences set forth in 1 and 2 below shall result:

1. Any outstanding Option shall immediately and automatically terminate, be forfeited and shall cease to be exercisable, without limitation. In addition, any Award of Restricted Stock or Restricted Stock Units as to which the restrictions have not lapsed shall immediately and automatically be forfeited, Performance Stock Unit Awards shall immediately and automatically be forfeited and any such Shares of Restricted Stock shall be returned to the Corporation and all of the rights of the Participant to such Awards and the underlying Shares shall immediately terminate.

2. If the Participant exercised an Option within 12 months prior to the date upon which the Corporation discovered that the Participant engaged in any actions described in 3 below, the Participant, upon written notice from the Corporation, shall immediately pay to the Corporation the economic value realized or obtained by the exercise of such Option measured at the date of exercise. In addition, if the restrictions imposed on any Award of Restricted Stock or Restricted Stock Units (including any unpaid dividends or Dividend Equivalents) lapsed, or any Performance Stock Unit Award was settled, within 12 months prior to the date the Corporation discovered that the Participant engaged in any action described in 3 below, the Participant, upon written notice from the Corporation, shall immediately pay to the Corporation the economic value realized or obtained with respect to such Award, measured at the date such Award vested.

3. The consequences described in 1 and 2 above shall apply if the Participant, either before or after termination of employment with the Corporation or its Affiliates:

(A) Discloses to others, or takes or uses for the Participant’s own purpose or the purpose of others, any trade secrets, confidential information, knowledge, data or know-how or any other proprietary information or intellectual property belonging to the Corporation or its Affiliates and obtained by the Participant during the term of the Participant’s employment, whether or not they are the Participant’s work product. Examples of such confidential information or trade secrets include, without limitation, customer lists, supplier lists, pricing and cost data, computer programs, delivery routes, advertising plans, wage and salary data, financial information, research and development plans, processes, equipment, product information and all other types and categories of information as to which the Participant knows or has reason to know that the Corporation or its Affiliates intends or expects secrecy to be maintained;

(B) Fails to promptly return all documents and other tangible items belonging to the Corporation or its Affiliates in the Participant’s possession or control, including all complete or partial copies, recordings, abstracts, notes or reproductions of any kind made from or about such documents or information contained therein, upon termination of employment, whether pursuant to retirement or otherwise;

(C) Fails to provide the Corporation with at least 30 days’ written notice prior to directly or indirectly engaging in, becoming employed by, or rendering services, advice or assistance to any business in competition with the Corporation or its Affiliates. As used herein, “business in competition” means any person, organization or enterprise which is engaged in or is about to become engaged in any line of business engaged in by the Corporation or its Affiliates at the time of the termination of the Participant’s employment with the Corporation or its Affiliates;

(D) Fails to inform any new employer, before accepting employment, of the terms of this paragraph and of the Participant’s continuing obligation to maintain the confidentiality of the trade secrets and other confidential information belonging to the Corporation or its Affiliates and obtained by the Participant during the term of the Participant’s employment with the Corporation or any of its Affiliates;

(E) Induces or attempts to induce, directly or indirectly, any of the customers of the Corporation or its Affiliates, employees, representatives or consultants to terminate, discontinue or cease working with or for the Corporation or its Affiliates, or to breach any contract with the Corporation or any of its Affiliates, in order to work with or for, or enter into a contract with, the Participant or any third party;

(F) Engages in conduct which is not in good faith and which disrupts, damages, impairs or interferes with the business, reputation or employees of the Corporation or its Affiliates; or

(G) Fails to meet the Participant's continuing obligations with respect to non-disclosure, non-competition and/or non-solicitation under the Participant's agreement with the Corporation or any Affiliate.

The Administrator shall determine in its sole discretion whether the Participant has engaged in any of the acts set forth in (A) through (G) above, and its determination shall be conclusive and binding on all interested persons.

Any provision of this Section VI which is determined by a court of competent jurisdiction to be invalid or unenforceable should be construed or limited in a manner that is valid and enforceable and that comes closest to the business objectives intended by such invalid or unenforceable provision, without invalidating or rendering unenforceable the remaining provisions of this Section VI.

## **VII. CHANGE IN CONTROL**

If as a result of a Change in Control, the Common Stock ceases to be listed for trading on a national securities exchange (an "Exchange"), any Option, Restricted Stock Award, Restricted Stock Unit Award or Performance Stock Unit Award that is unvested on the effective date of the Change in Control shall continue to vest according to the terms and conditions of such Award, provided that such Award is replaced with an award for voting securities of the resulting corporation or the acquiring corporation, as the case may be, (including without limitation, the voting securities of any corporation which as a result of the Change in Control owns the Corporation or all or substantially all of the Corporation's assets either directly or through one or more subsidiaries) (the "Surviving Company") which are traded on an Exchange (a "Replacement Award"), which Replacement Award, (i) in the case of an Option, shall consist of an option with the number of underlying shares and exercise price determined in a manner consistent with Code Section 424(a) with vesting and any other terms continuing in the same manner as the replaced Option; (ii) in the case of a Performance Stock Unit Award, shall consist of restricted stock or restricted stock units with a value (determined using the Surviving Company's stock price as of the effective date of the Change in Control) equal to the value of the Performance Stock Unit Award (determined using the Corporation's stock price and assuming attainment of target performance or actual performance achieved, if greater, as of the effective date of the Change in Control), with any restrictions on such Replacement Award lapsing at the end of the measuring period over which performance for the replaced Performance Stock Unit Award was to be measured prior to the granting of the Replacement Award; and (iii) in the case of a Restricted Stock Award or Restricted Stock Unit Award, shall consist of restricted stock or restricted stock units with a value (determined using the Surviving Company's stock price as of the effective date of the Change in Control) equal to the value of the Restricted Stock Award or Restricted Stock Unit Award (determined using the Corporation's stock price as of the effective date of the Change in Control), with any restrictions on such restricted stock or restricted stock units lapsing at the same time and manner as the replaced Award; provided, however, that in the event of the Participant's involuntary Separation from Service by the Corporation without Cause or Separation from Service by the Participant for Good Reason during the vesting period of any Replacement Award, the Replacement Award shall immediately vest and be paid as soon as practicable following such Separation from Service (subject to Section VIII.14), based on the fair market value of the underlying shares on the vesting date, or in the case of options, based on the excess of the fair market value of the underlying shares over the option exercise price on the vesting date. If any Option, Restricted Stock Award, Restricted Stock Unit Award or Performance Stock Unit Award that is unvested at the effective time of the Change in Control is not replaced with a Replacement Award, such Award shall immediately vest and, in the case of a Performance Stock Unit Award, shall vest based upon deemed attainment of target performance or actual performance achieved, if greater.

If as a result of a Change in Control, the Common Stock continues to be listed for trading on an Exchange, any unvested Option, Restricted Stock Award, or Restricted Stock Unit Award shall continue to vest according to the terms and conditions of such Award and any Performance Stock Unit Award shall be replaced with a Restricted Stock Unit Award where the number of shares subject to such Restricted Stock Unit Award shall be equal to the number of Shares assuming attainment of target performance or actual performance achieved, if greater, as of the effective date of the Change in Control with any restrictions on such Restricted Stock Unit Award lapsing at the end of the measuring period over which performance for the replaced Performance Stock Unit Award was to be measured prior to the granting of the Replacement Award; provided however, that, in the event of the Participant's involuntary Separation from Service by the Corporation without Cause or Separation from Service by the Participant

for Good Reason during the vesting period of an Award, such Award shall immediately vest and be paid as soon as practicable following such Separation from Service (subject to Section VIII.14).

## **VIII. MISCELLANEOUS**

1. No Effect on Terms of Employment. Participation in the Plan shall not create a right to further employment with the Participant's employer (the "Employer") and shall not interfere with the ability of the Employer to terminate, with or without cause, or change the terms of employment of a Participant at any time.

2. Grants to Participants in Foreign Countries. In making grants to Participants in foreign countries, the Administrator has the full discretion to deviate from this Statement of Terms and Conditions in order to adjust grants under the Plan to prevailing local conditions, including custom and legal and tax requirements. Furthermore, the Corporation reserves the right to impose other requirements on the Participant's participation in the Plan on the Award and on any Shares acquired under the Plan, to the extent the Corporation determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require the Participant to sign any additional agreements or undertaking that may be necessary to accomplish the foregoing.

3. Information Notification. Any information required to be given under the terms of an Award shall be addressed to the Corporation in care of its Corporate Secretary at McKesson Corporation, 6555 North State Highway 161, Irving, Texas 75039, and any notice to be given to a Participant shall be addressed to such Participant at the address indicated beneath the Participant's name on the Award Agreement or such other address as either party may designate in writing to the other. Any such notice shall be deemed to have been duly given when enclosed in a properly sealed envelope or wrapper addressed as aforesaid, registered or certified and deposited (postage or registration or certification fee prepaid) in a post office or branch post office. The parties may use email delivery, so long as the message is clearly marked, sent to the email address(es) set forth herein, and a delivery receipt and a read receipt are made part of the message. Email delivery will be deemed to occur when the sender receives confirmation that such message has been received and read by the recipient. Emails to the Corporation shall be delivered to CorpSecretary@McKesson.com.

4. Administrator Decisions Conclusive. All decisions of the Administrator administering the Plan upon any questions arising under the Plan or under an Award Agreement, shall be conclusive and binding on all interested persons.

5. No Effect on Other Benefit Plans. Nothing herein contained shall affect a Participant's right to participate in and receive benefits from and in accordance with the then current provisions of any pensions, insurance or other employment welfare plan or program offered by the Corporation.

6. Withholding. Regardless of any action the Corporation or the Employer takes with respect to any federal, state or local income tax, social insurance contributions, payroll tax, payment on account or other tax-related items related to the Participant's participation in the Plan and legally applicable to the Participant ("Tax-Related Items"), the Participant acknowledges that the ultimate liability for all Tax-Related Items is and remains the Participant's responsibility and may exceed the amount actually withheld by the Corporation or the Employer. The Participant further acknowledges that the Corporation and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Award, including the grant, vesting, settlement or exercise of the Award, as applicable, the subsequent sale of Shares acquired pursuant to the Plan and the receipt of any dividends and/or dividend equivalents; and (2) do not commit and are under no obligation to structure the terms of the grant or any aspect of the Award to reduce or eliminate the Participant's liability for Tax-Related Items or achieve any particular tax result. Further, if the Participant has become subject to tax in more than one jurisdiction between the Grant Date and the date of any relevant taxable event, the Participant acknowledges that the Corporation and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, as applicable, the Participant will pay or make adequate arrangements satisfactory to the Corporation and/or the Employer, or their respective agents, at their discretion, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following: (1) withholding from the Participant's wages or other cash compensation paid to the Participant by the Corporation and/or the Employer; (2) withholding from proceeds of the sale of Shares acquired under the Plan either through a voluntary sale or through a mandatory sale arranged by the Corporation (on the Participant's behalf pursuant to this authorization and any other authorization the Corporation and/or the broker designated by the Corporation may require the Participant to sign in connection with the sale of Shares); (3) withholding Shares to be issued upon grant, vesting/settlement or exercise, as applicable; or (4) any other method of withholding determined by the Corporation and to the extent required by applicable law or the Plan, approved by the Compensation Committee. Calculation of the number of Shares to be withheld shall be made based on the closing price of the Common Stock on the New

York Stock Exchange on the date that the amount of tax to be withheld is determined. In no event, however, shall the Corporation be required to issue fractional Shares. With respect to an Award other than an Option, if adequate arrangements to satisfy the obligations with regard to all Tax-Related Items are not made by the Participant with the Corporation and/or the Employer prior to the relevant taxable event, the Corporation will satisfy such obligations as provided above in clause (3) of this paragraph.

The Corporation or the Employer may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates, including maximum applicable rates in the Participant's jurisdiction(s). If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, the Participant will be deemed to have been issued the full number of Shares subject to the Award, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of the Participant's participation in the Plan. In the event any excess amounts are withheld to satisfy the obligation for Tax-Related Items, the Participant may be entitled to receive a refund of any over-withheld amount (with no entitlement to the Share equivalent), or if not refunded by the Corporation or the Employer, the Participant must seek a refund from the local tax authorities to the extent the Participant wishes to recover the over-withheld amount in the form of a refund. In the event of under-withholding, the Participant may be required to pay any additional Tax-Related Items directly to the applicable tax authority or to the Corporation and/or the Employer.

Finally, the Participant shall pay to the Corporation or the Employer any amount of Tax-Related Items that the Corporation or the Employer may be required to withhold or account for as a result of the Participant's participation in the Plan that cannot be satisfied by the means previously described. The Corporation may refuse to issue or deliver the Shares or the proceeds of the sale of Shares if the Participant fails to comply with the Participant's obligations in connection with the Tax-Related Items.

The Administrator shall be authorized to establish such rules, forms and procedures as it deems necessary to implement the foregoing.

7. Successors. The Award Agreements shall be binding upon and inure to the benefit of any successor or successors of the Corporation. "Participant" as used herein shall include the Participant's Beneficiary.

8. Delaware Law. The interpretation, performance, and enforcement of all Award Agreements shall be governed by the laws of the State of Delaware.

9. Nature of Grant. In accepting the grant, the Participant acknowledges that:

(A) the Plan is established voluntarily by the Corporation, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Corporation at any time;

(B) the grant of the Award is exceptional, voluntary and occasional and does not create any contractual or other right to receive future Award grants, or benefits in lieu of Awards, even if Awards have been granted repeatedly in the past;

(C) all decisions with respect to future Awards, if any, will be at the sole discretion of the Corporation;

(D) the Participant is voluntarily participating in the Plan;

(E) the Award and the Shares subject to the Award, and the income from and value of same, are not part of normal or expected compensation for any purpose, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments;

(F) the Award will not be interpreted to form an employment contract or relationship with the Corporation; and furthermore, the Award will not be interpreted to form an employment contract with any subsidiary or Affiliate of the Corporation;

(G) the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;

(H) if the underlying Shares do not increase in value, the Options will have no value;

(I) in consideration of the grant of the Award, no claim or entitlement to compensation or damages shall arise from forfeiture of the Award which results from termination of the Participant's employment with the Employer or the Corporation or one of its Affiliates (for any reason whatsoever, and whether or not such forfeiture is later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment agreement, if any) and the Participant irrevocably releases the Corporation or its Affiliates from any such claim that may arise; provided that, notwithstanding the foregoing, in the event any such claim is found by a court of competent jurisdiction to have arisen, then, by accepting the Award, the Participant shall be deemed irrevocably to have waived the Participant's entitlement to pursue such claim;

(J) for purposes of an Award, the Participant's employment relationship will be considered terminated as of the date the Participant is no longer a bona fide employee of the Corporation, the Employer or one of the Corporation's other Affiliates (regardless of the reason for such termination and whether or not later found to be invalid or in breach of the employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment agreement, if any), and unless otherwise expressly provided in this Award Agreement or determined by the Corporation in its sole discretion, the Participant's right to receive Awards and vest in Awards under the Plan, if any, will terminate effective as of such date and will not be extended by any notice period mandated under local law (for example, the Participant's period of service would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment agreement, if any); similarly, any right to exercise Options under the Plan after termination of employment will be measured as of the date the Participant is no longer a bona fide employee of the Corporation, the Employer or one of the Corporation's other Affiliates and will not be extended by any notice period mandated under local law; the Administrator shall have the sole discretion to determine when the Participant is no longer a bona fide employee for purposes of an Award (including whether the Participant may still be considered to be providing services while on a leave of absence);

(K) the Corporation is not providing any tax, legal or financial advice, nor is the Corporation making any recommendations regarding participation in the Plan or the Participant's acquisition or sale of Shares; and

(L) the Participant is hereby advised to consult with the Participant's own personal tax, legal and financial advisors regarding Participant's participation in the Plan before taking any action related to the Plan.

10. **Data Privacy Information and Consent.**

(A) ***Data Collection and Usage.*** *The Corporation and the Employer may collect, process and use certain personal information about the Participant, including, but not limited to, the Participant's name, home address and telephone number, email address, date of birth, social insurance number, passport or other identification number, salary, nationality, job title, any Shares or directorships held in the Corporation, details of all Options, Restricted Stock, Restricted Stock Units, Performance Stock Units, Other Share-Based Awards, or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in the Employee's favor ("Data"), for the purposes of implementing, administering and managing the Plan. The legal basis, where required, for the processing of Data is the Participant's consent.*

(B) ***Stock Plan Administration Service Providers.*** *The Corporation transfers Data to Fidelity Stock Plan Services LLC and its affiliated companies, an independent service provider based in the United States, which is assisting the Corporation with the implementation, administration and management of the Plan. The Corporation may select a different service provider or additional service providers and share Data with such other provider serving in a similar manner. The Participant may be asked to agree on separate terms and data processing practices with the service provider, with such agreement being a condition to the ability to participate in the Plan.*

(C) ***International Data Transfers.*** *The Corporation and its service providers are based in the United States. The Participant's country or jurisdiction may have different data privacy laws and protections than the United States. The Corporation's legal basis, where required, for the transfer of Data is the Participant's consent.*

(D) ***Data Retention.*** *The Corporation will hold and use the Data only as long as is necessary to implement, administer and manage the Participant's participation in the Plan, or as required to comply with legal or regulatory obligations, including under tax and security laws. In the latter case, the Participant understands and acknowledges that the Corporation's legal basis for the processing of the Participant's Data would be compliance with the relevant laws or regulations or the pursuit by the Corporation of respective legitimate interests not outweighed by the Participant's interests, rights or freedoms. When the*

*Corporation no longer needs the Participant's Data for any of the above purposes, the Participant understands the Corporation will remove it from its systems.*

(E) *Voluntariness and Consequences of Consent Denial or Withdrawal. Participation in the Plan is voluntary and the Participant is providing the consents herein on a purely voluntary basis. If the Participant does not consent, or if the Participant later seeks to revoke the Participant's consent, the Participant's salary from or employment with the Employer will not be affected; the only consequence of refusing or withdrawing the Participant's consent is that the Corporation would not be able to grant Awards to the Participant or administer or maintain such Awards.*

(F) *Data Subject Rights. The Participant may have a number of rights under data privacy laws in the Participant's jurisdiction. Depending on where the Participant is based, such rights may include the right to (i) inquire whether and what kind of Data the Corporation holds about the Participant and how it is processed, and to request access or copies of Data the Corporation processes, (ii) request the correction or supplementation of Data about the Participant that is inaccurate, incomplete or out-of-date in light of the purposes underlying the processing, (iii) obtain the erasure of Data no longer necessary for the purposes underlying the processing, processed based on withdrawn consent, processed for legitimate interests that, in the context of the Participant's objection, do not prove to be compelling, or processed in non-compliance with applicable legal requirements, (iv) request restrictions on processing of Data in certain situations where the Participant feels its processing is inappropriate, (v) request portability of the Participant's Data that the Participant has actively or passively provided to the Corporation (which does not include data derived or inferred from the collected data), where the processing of such Data is based on consent or the Participant's employment and is carried out by automated means, (vi) object, in certain circumstances, to the processing of Data for legitimate interests, (vii) lodge complaints with competent authorities in the Participant's jurisdiction, and/or (viii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, the Participant can contact his or her local human resources representative.*

*By accepting the Award and indicating consent via the Corporation's acceptance procedure, the Participant is declaring that he or she agrees with the data processing practices described herein and consents to the collection, processing and use of Data by the Corporation and the transfer of Data to the recipients mentioned above, including recipients located in countries which do not adduce an adequate level of protection from a European (or other non-U.S.) data protection law perspective, for the purposes described above.*

11. Severability. The provisions in this Statement of Terms and Conditions are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

12. Language. The Participant acknowledges that the Participant is proficient in the English language, or has consulted with an advisor who is sufficiently proficient in the English language, and, accordingly, understands the provisions of the Plan and this Statement of Terms and Conditions. If the Participant has received this Statement of Terms and Conditions or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control unless otherwise required by local law.

13. Electronic Delivery. The Corporation may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Corporation or a third party designated by the Corporation.

14. Section 409A. If (A) the Participant is a Specified Employee at the time of the Participant's Separation from Service, and (B) some or any portion of the amounts payable to the Participant, if any, when considered together with any other payments or benefits which may be considered deferred compensation under section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A") and subject to the plan aggregation rules under Treasury Regulation section 1.409A-1(c)(3)(viii) (together, the "Deferred Compensation Benefits") would result in the imposition of additional tax under Section 409A if paid to the Participant on or within the six month period following the Separation from Service, then to the extent such portion of the Deferred Compensation Benefits resulting in the imposition of additional tax would otherwise have been payable on or within the first six months following the Separation from Service, it will instead become payable on the first payroll date that occurs in the seventh month following the Separation from Service (or such longer period as is required to avoid the imposition of additional tax under Section 409A). All subsequent Deferred Compensation Separation Benefits, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit.



15. Recoupment. The Participant acknowledges that any Award granted under the Plan or a predecessor to the Plan shall be subject to the McKesson Corporation Financial Restatement Compensation Recoupment Policy, as amended from time to time, which is incorporated herein by reference.

## **IX. DEFINITIONS**

When capitalized in this Statement of Terms and Conditions, the following terms shall have the meaning set forth below:

1. "Award Agreement" means an agreement between the Participant and the Corporation evidencing the grant of an Option, Restricted Stock Award, Restricted Stock Unit Award, Performance Stock Unit Award or Other Share-Based Award, as applicable.

2. "Cause" means termination of the Participant's employment with the Corporation or an Affiliate upon the Participant's negligent or willful engagement in misconduct which, in the sole determination of the Chief Executive Officer of the Corporation (or the Chief Executive Officer's designee), is injurious to the Corporation, its employees, or its customers.

3. "Early Retirement" means a termination of employment (other than due to death, Long-Term Disability or for Cause) which occurs prior to Normal Retirement but on or after the date on which the Participant's age (expressed in terms of years and completed months) plus service with the Corporation or an Affiliate equals 65. For purposes of determining eligibility for Early Retirement, the term "service" shall include years and completed whole months of service.

4. "Family Member" means any person identified as an "immediate family" member in Rule 16(a)-1(e) of the Exchange Act, as such Rule may be amended from time to time. Notwithstanding the foregoing, the Administrator may designate any other person(s) or entity(ies) as a "family member."

5. "Good Reason" means any of the following actions, if taken without the express written consent of the Participant:

(A) Any material change by the Corporation in the Participant's functions, duties, or responsibilities, which change would cause the Participant's position with the Corporation to become of less dignity, responsibility, importance, or scope from the position and attributes that applied to the Participant immediately prior to the Change in Control; provided, however, that, any such change attributable to the Corporation's no longer being a company with publicly traded common stock shall not constitute Good Reason; and provided, further, that a reduction in the Participant's functions, duties or responsibilities solely by virtue of the Corporation being acquired and made part of a larger entity (for example, if following a Change in Control the Participant retains the Participant's position, or has a comparable position, with respect to a division or subsidiary of the acquirer that contains the Corporation's business) shall not constitute Good Reason;

(B) Any significant reduction in the Participant's aggregate base annual salary and target incentive opportunity, as in effect immediately prior to the Change in Control;

(C) Any material failure by the Corporation to comply with any of the provisions of an Award subsequent to a Change in Control; or

(D) The Corporation's requiring the Participant to be based at any location which would increase the Participant's regular one-way commute by more than 25 miles from that in effect immediately preceding the Change in Control, except for travel reasonably required in the performance of the Participant's responsibilities;

Provided that the Participant gives notice to the Corporation of the existence of the Good Reason condition within 30 days of the initial existence of the Good Reason condition and the Corporation is provided 30 days after receipt of the Participant's notice to remedy the Good Reason condition; provided further that the Participant's Separation from Service must occur within six months from the initial existence of the Good Reason condition if the Corporation does not remedy such condition for such separation to be considered to be for Good Reason.

6. "Expiration Date" means the date that an Option expires as set forth in the Option Grant Notice as the "Expiration Date."

7. “Grant Date” means the date the Administrator grants the Award.
8. “Grant Notice” means the notice of an Award granted to the Participant, which sets forth certain terms of such Award.
9. “Long-Term Disability” means a physical or mental condition in respect of which the administrator of the Corporation’s long-term disability plan has determined that the Participant is eligible to receive income replacement benefits; or, if the Participant is not then a participant in the Corporation’s long-term disability plan, a physical or mental condition that the administrator of the Corporation’s long-term disability plan determines would have rendered the Participant eligible to receive income replacement benefits, had the Participant been enrolled in such plan.
10. “Normal Retirement” means termination of employment (other than due to death, Long-Term Disability or for Cause) at or after age 60 with at least 10 years of service with the Corporation or an Affiliate. For purposes of determining eligibility for Normal Retirement, “service” shall mean completed whole years of service (12 consecutive months).
11. “Option Period” means the period commencing on the Grant Date of an Option and, except at otherwise provided in Section II.5, ending on the Expiration Date.
12. “Separation from Service” means termination of employment with the Corporation or an affiliate. A Participant shall be deemed to have had a Separation from Service if the Participant’s service with the Corporation or an affiliate is reduced to an annual rate that is equal to or less than 20% of the services rendered, on average, during the immediately preceding three years of service with the Corporation or an affiliate (or, if providing service to the Corporation or an affiliate for less than three years, such lesser period).
13. “Severance” means termination of employment with the Corporation or an Affiliate, and qualified for participation in and entitlement to benefits under the McKesson Corporation Severance Pay Plan or the McKesson Corporation Severance Policy for Executive Employees, as applicable, in accordance with the terms and conditions of such plans. A Participant outside the United States who is not qualified for participation in and entitlement to the benefits under such plans will nonetheless be treated for the limited purposes of his or her Awards, and subject to the provisions of Section VIII.9 of this Statement of Terms and Conditions, as terminated by reason of Severance to the extent his or her employment with the Corporation or an Affiliate is terminated and he or she would satisfy the conditions for termination for reason of Severance but for the fact that such plan is only applicable to employees of the Corporation or an Affiliate in the United States who qualify for participation in that plan.
14. “Short-Term Disability” means short-term disability as defined in the Corporation’s short-term disability plan.
15. “Specified Employee” means those employees identified by the Corporation as "Specified Employees" for purposes of Code Section 409A.
16. “Stock Ownership Policy” means the Corporation’s Stock Ownership Policy, as amended from time to time, which can be found on McKNet. A Participant or a Participant’s beneficiary may also request a copy of the Stock Ownership Policy by writing to the Corporate Secretary at McKesson Corporation, 6555 North State Highway 161, Irving, Texas 75039 or emailing CorpSecretary@McKesson.com.

**McKESSON CORPORATION**  
**STATEMENT OF TERMS AND CONDITIONS APPLICABLE TO**  
**OPTIONS, RESTRICTED STOCK, RESTRICTED STOCK UNITS**  
**AND PERFORMANCE STOCK UNITS GRANTED TO EMPLOYEES**  
**PURSUANT TO THE 2022 STOCK PLAN**

**For Grants Beginning October 23, 2023**

**I. INTRODUCTION**

The following terms and conditions shall apply to an Award granted under the Plan and are subject to the terms and conditions of the Plan. This Statement of Terms and Conditions is intended to meet the requirements of Code Section 409A and any rules promulgated thereunder. In the event of any inconsistency between this Statement of Terms and Conditions and the Plan, the Plan shall govern. Capitalized terms not otherwise defined in this Statement of Terms and Conditions shall have the meaning set forth in the Plan.

**II. OPTIONS**

1. Option Agreement. An Option granted under the Plan shall be evidenced by an Option Agreement setting forth the terms and conditions of the Option, including whether the Option is an Incentive Stock Option or a Nonstatutory Stock Option and the number of Shares subject to the Option. Each Option Grant Notice shall incorporate by reference and be subject to this Statement of Terms and Conditions, including the special terms and conditions in the Appendix for the Participant's country (if any) which forms part of this Statement of Terms and Conditions, and together both documents shall constitute the Option Agreement. The Option is also subject to the terms and conditions of the Plan.

2. Exercise Price. The Exercise Price of an Option, as specified in the Option Agreement, shall be equal to or greater than the Fair Market Value of the Shares underlying the Option on the Grant Date.

3. Option Period. An Option shall be exercisable only during the applicable Option Period, and during such Option Period the exercisability of the Option shall be subject to the vesting provisions of Section II.4 as modified by the rules set forth in Sections II.5 and VI. The Option Period shall be not more than seven years from the Grant Date.

4. Vesting of Right to Exercise Options.

(A) Subject to Sections II.5 and VI, an Option shall be exercisable during the Option Period in accordance with the vesting terms and conditions established on the Grant Date and specified in the Option Grant Notice.

(B) Any vested portion of an Option not exercised hereunder shall accumulate and be exercisable at any time on or before the Expiration Date, subject to the rules set forth in Sections II.5 and VI. No Option may be exercised for less than 5% of the total number of Shares then available for exercise under such Option. In no event shall the Corporation be required to issue fractional Shares.

5. Limits on Option Period and Acceleration of Vesting. The Option Period may end before the Expiration Date, and in certain circumstances the vesting schedule of an Option may be accelerated (subject to the provisions of Section VI), as follows:

(A) If a Participant ceases to be a bona fide employee of the Corporation or of its Affiliates during the Option Period for reasons other than for Cause, Long-Term Disability, Normal Retirement, Early Retirement, Severance under the circumstances provided in Section II.5(F)(ii), or death, the Option Period shall end on the earlier of (i) 90 days after the date of the Participant's termination of employment and (ii) the Expiration Date, and in all cases the Option shall be exercisable only to the extent that it was exercisable at the time of such termination of employment. If a Participant is absent from work with the Corporation or an Affiliate because of the Participant's Short-Term Disability or because the Participant is on an approved leave of absence, the Participant shall not be deemed during the period of any such absence, by virtue of such absence alone, to have terminated employment with the Corporation or an Affiliate except as the Administrator may otherwise expressly determine.

(B) Notwithstanding any other provision in this Section II.5, if a Participant's employment is terminated for Cause during the Option Period, the Option Period shall end on the date of such termination of employment and the Option shall thereupon not be exercisable to any extent whatsoever.

(C) If a Participant ceases to be a bona fide employee of the Corporation or of its Affiliates during the Option Period by reason of Long-Term Disability, the vesting schedule of the Participant's Option shall be accelerated, the Option shall become fully exercisable and the Option Period shall end on the earlier of (i) three years after the date of the Participant's termination of employment and (ii) the Expiration Date.

(D) If a Participant ceases to be a bona fide employee of the Corporation or of its Affiliates during the Option Period by reason of Early Retirement, (i) the Option shall be exercisable only to the extent that it was exercisable at the time of such retirement and (ii) the Option Period for that portion of the Option designated as a Nonstatutory Stock Option shall end on the earlier of (a) three years after the date of such retirement and (b) the Expiration Date.

(E) If a Participant ceases to be a bona fide employee of the Corporation or of its Affiliates during the Option Period by reason of Normal Retirement:

(i) If such Normal Retirement occurs prior to the first anniversary of the Grant Date of the Option, such Option shall be subject to the provisions of Section II.5(D) as though the Participant were eligible for Early Retirement; or

(ii) If such Normal Retirement occurs on or after the first anniversary of the Grant Date of an Option, (a) that portion of the Option designated as a Nonstatutory Stock Option shall continue to vest as though the Participant had continued to be employed by the Corporation or one of its Affiliates during such vesting period, and (b) the Option Period for such portion of the Option designated as a Nonstatutory Stock Option shall end on the Expiration Date.

(F) If a Participant ceases to be a bona fide employee of the Corporation or of its Affiliates during the Option Period by reason of Severance, and

(i) The Participant has attained the requirements for Normal Retirement on or prior to the Participant's termination date, then such Option shall be subject to the Normal Retirement provisions of Section II.5(E); or

(ii) The Participant has not attained the requirements for Normal Retirement on or prior to the Participant's termination date, but would have attained the requirements for Normal Retirement within six months after the termination date, and

(a) The first anniversary of the Grant Date of the applicable Award has not occurred on or prior to the termination date, then such Option shall be subject to the Early Retirement provision in Section II.5(D); or

(b) The first anniversary of the Grant Date of the applicable Award has occurred on or prior to the termination date, then (x) that portion of the Option designated as a Nonstatutory Stock Option shall continue to vest as though the Participant had continued to be employed by the Corporation or one of its Affiliates during such vesting period, and (y) the Option Period for such portion of the Option designated as a Nonstatutory Stock Option shall end on the Expiration Date; or

(iii) The Participant has not attained the requirements for Normal Retirement on or prior to the Participant's termination date, and would not have attained the requirements for Normal Retirement within six months after the termination date, then (a) the vesting schedule of the Participant's Option shall be accelerated as to the portion of the Option that would have vested in accordance with the original vesting schedule as though the Participant had continued to be employed by the Corporation or one of its Affiliates six months after the termination date, and (b) the expiration of the Option Period provided in Section II.5(A) shall apply; provided that if the Participant is also eligible for Early Retirement at the time of the termination of employment, then the expiration of the Option Period provided in Section II.5(D) shall apply.

(G) If a Participant should die (i) while in the employ of the Corporation or an Affiliate and (ii) during the Option Period, the vesting schedule of the Participant's Option shall be accelerated and the Option shall become fully exercisable, the Option Period shall end on the earlier of (a) three years after the date of death and

(b) the Expiration Date, and the Participant's Beneficiary may exercise the entire unexercised portion of the then exercisable Shares covered by such Option (or any lesser amount) remaining on the date of death.

(H) If a Participant who ceases to be a bona fide employee of the Corporation or an Affiliate is subsequently rehired prior to the expiration of the Participant's Option, then the Option shall continue to remain outstanding until the earlier of (i) such time as the Participant subsequently terminates employment and (ii) the Expiration Date. Upon the Participant's subsequent termination of employment, the post-termination exercise period calculated pursuant to the terms and conditions of this Section II.5 shall be reduced by the number of days between the date of the Participant's initial termination of employment and the Participant's re-hire date; provided, however, that if the rehired Participant continues to be employed by the Corporation or an Affiliate for at least one year from the Participant's rehire date, then the post termination exercise period for the Option shall be determined in accordance with Sections II.5(A) through (G) and shall not be adjusted as described in this Section II.5(H).

6. Method of Exercise. A Participant may exercise an Option with respect to all or any part of the exercisable Shares as follows:

(A) By giving the Corporation, or its authorized representative designated for this purpose, written notice of such exercise specifying the number of Shares as to which the Option is so exercised. Such notice shall be accompanied by an amount equal to the Exercise Price multiplied by the number of Shares exercised, in the form of any one or combination of the following: cash or a certified check, bank draft, postal or express money order payable to the order of the Corporation in lawful money of the United States. Unless otherwise determined by the Administrator in its sole discretion, the Participant may pay the Exercise Price, in whole or in part, by tendering to the Corporation or its authorized representative Shares, which have been owned by the Participant for at least six months prior to said tender, and having a fair market value, as determined by the Corporation, equal to the Exercise Price, or in lieu of the delivery of actual Shares in such tender, the Corporation may accept an attestation by the Participant, in a form prescribed by the Corporation or its authorized representative, that the Participant owns sufficient Shares of record or in an account in street name to satisfy the Exercise Price, and such attestation will be deemed a tender of Shares for purposes of this method of exercise. The Corporation or its authorized representative may accept payment of the amount due upon the exercise of the Option in the form of a Participant's personal check. Payment may also be made by delivery (including by FAX transmission) to the Corporation or its authorized representative of an executed irrevocable Option exercise form together with irrevocable instructions to an approved registered investment broker to sell Shares in an amount sufficient to pay the Exercise Price plus any applicable Tax-Related Items (as defined in Section VIII.6) and to transfer the proceeds of such sale to the Corporation.

(B) If required by the Corporation, by giving satisfactory assurance in writing, signed by the Participant, the Participant shall give the Participant's assurance that the Shares subject to the Option are being purchased for investment and not with a view to the distribution thereof; provided that such assurance shall be deemed inapplicable to (i) any sale of the Shares by such Participant made in accordance with the terms of a registration statement covering such sale, which has heretofore been (or may hereafter be) filed and become effective under the U.S. Securities Act of 1933, as amended (the "Securities Act") and with respect to which no stop order suspending the effectiveness thereof has been issued, and (ii) any other sale of the Shares with respect to which, in the opinion of counsel for the Corporation, such assurance is not required to be given in order to comply with the provisions of the Securities Act.

(C) As soon as practicable after receipt of the notice and the assurance described in Sections II.6(A) and (B), the Corporation shall, without transfer or issue tax (except for withholding tax arrangements contemplated in Section VIII.6) and without other incidental expense to the Participant, credit the purchased Shares to the Participant's brokerage account of record. If the Participant does not have a brokerage account of record, then the Corporation shall cause an appropriate book entry to be entered in the records of the Corporation's transfer agent recording the Participant's unrestricted interest in the purchased Shares; provided, however, that the time of such delivery may be postponed by the Corporation for such period as may be required for it with reasonable diligence to comply with applicable registration requirements under the Securities Act, the Exchange Act, any applicable listing requirements of any national securities exchange and requirements under any other law or regulation applicable to the issuance or transfer of the Shares.

7. Limitations on Transfer. An Option shall, during a Participant's lifetime, be exercisable only by the Participant. No Option or any right granted thereunder shall be transferable by the Participant by operation of law or otherwise, other than by will or the laws of descent and distribution. Notwithstanding the foregoing: (A) unless otherwise determined by the Administrator in its sole discretion, a Participant may designate a beneficiary to succeed, after the Participant's death, to all of the Participant's Options outstanding on the date of death; (B) a Nonstatutory Stock Option may be transferable pursuant to a qualified domestic relations order as defined in the Code or Title I of the U.S. Employee Retirement Income Security Act; and (C) any Participant, who is a senior executive officer recommended by the Chief Executive Officer of the Corporation and approved by the

Administrator may voluntarily transfer any Nonstatutory Stock Option to a Family Member as a gift or through a transfer to an entity in which more than 50% of the voting interests are owned by Family Members (or the Participant) in exchange for an interest in that entity. In the event of any attempt by a Participant to alienate, assign, pledge, hypothecate, or otherwise dispose of an Option or of any right thereunder, except as provided herein, or in the event of the levy of any attachment, execution, or similar process upon the rights or interest hereby conferred, the Corporation at its election may terminate the affected Option by notice to the Participant and the Option shall thereupon become null and void.

8. No Stockholder Rights. Neither a Participant nor any person entitled to exercise a Participant's rights in the event of the Participant's death shall have any of the rights of a stockholder with respect to the Shares subject to an Option except to the extent that a book entry has been entered in the records of the Corporation's transfer agent with respect to such Shares upon the exercise of an Option.

### III. RESTRICTED STOCK

1. Restricted Stock Agreement. A Restricted Stock Award granted under the Plan shall be evidenced by a Restricted Stock Agreement to be executed by the Participant and the Corporation setting forth the terms and conditions of the Restricted Stock Award. Each Restricted Stock Grant Notice shall incorporate by reference and be subject to this Statement of Terms and Conditions, including the special terms and conditions in the Appendix for the Participant's country (if any) which forms part of this Statement of Terms and Conditions, and together both documents shall constitute the Restricted Stock Agreement. The Restricted Stock Award is also subject to the terms and conditions of the Plan.

2. Rights with Respect to Shares of Restricted Stock. Upon written acceptance of a Restricted Stock Award by a Participant, including the restrictions and other terms and conditions described in the Plan and the Restricted Stock Agreement, the Corporation shall cause an appropriate book entry to be entered in the records of the Corporation's transfer agent recording the Participant's interest in the Restricted Stock. From and after the Grant Date, the Participant shall have the rights of Common Stock ownership, including the right to vote and to receive dividends on Shares of Restricted Stock, subject to the terms, conditions and restrictions described in the Plan and the Restricted Stock Agreement.

3. Special Restrictions. Each Restricted Stock Award made under the Plan shall be subject to the following terms, conditions and restrictions and such additional terms, conditions and restrictions as may be determined by the Administrator; provided, however, that no Restricted Stock grant shall be subject to additional terms, conditions and restrictions which are more favorable to a Participant than the terms, conditions and restrictions set forth elsewhere in the Plan or the Restricted Stock Agreement.

(A) Restrictions. Until the restrictions imposed on any Restricted Stock grant shall lapse (the "Restriction Period"), Shares of Restricted Stock granted to a Participant (i) shall not be sold, assigned, transferred, pledged, hypothecated, or otherwise disposed of, other than pursuant to a qualified domestic relations order as defined in the Code or Title I of the U.S. Employee Retirement Income Security Act and (ii) shall, if the Participant's continuous employment with the Corporation or any of its Affiliates shall terminate for any reason (except as otherwise provided in the Plan, or in Section III.3(B) or Section III.3(C)) be returned to the Corporation forthwith, and all the rights of the Participant to such Shares shall immediately terminate. If a Participant is absent from work with the Corporation or an Affiliate because of the Participant's Short-Term Disability or because the Participant is on an approved leave of absence, the Participant shall not be deemed during the period of any such absence, by virtue of such absence alone, to have terminated employment with the Corporation or an Affiliate except as the Administrator may otherwise expressly determine.

(B) Termination of Employment by Reason of Death, Long-Term Disability or Normal Retirement. Notwithstanding any provision to the contrary contained in the Restricted Stock Grant Notice, if a Participant who has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date of a Restricted Stock Award ceases to be a bona fide employee of the Corporation or an Affiliate as a result of:

(i) Death or Long-Term Disability, then the restrictions imposed on any Restricted Stock Award shall lapse as to all Shares granted to such Participant pursuant to such Restricted Stock Award on the date of such termination; or

(ii) Normal Retirement on or after the first anniversary of the Grant Date of any time-vesting Restricted Stock Award, the restrictions applicable to such Restricted Stock Award shall continue to lapse at such time(s) as are set forth in the applicable Grant Notice, as though the Participant had continued to be employed by the Corporation or one of its Affiliates during such restricted period; provided, that notwithstanding any other provision of the Plan or this Statement of Terms and Conditions,

this Section III.3(B)(ii) shall not apply to any Restricted Stock Award the vesting of which is based, in whole or in part, on attainment of performance objectives. The procedures set forth in Section VIII.6 will be applied for any taxes due upon the lapse of restrictions imposed on a Restricted Stock Award due to a Participant's Normal Retirement eligibility.

(C) Termination of Employment by Reason of Severance. Notwithstanding any provision to the contrary contained in the Restricted Stock Grant Notice, if a Participant who has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date of a Restricted Stock Award ceases to be a bona fide employee of the Corporation or an Affiliate as a result of Severance, and:

(i) The Participant either (a) has attained the requirements for Normal Retirement on or prior to the Participant's termination date or (b) would have attained the requirements for Normal Retirement within six months after the Participant's termination date, then any time-vesting Restricted Stock Award shall be subject to the Normal Retirement provisions of Section III.3(B)(ii); or

(ii) The Participant has not attained the requirements for Normal Retirement on or prior to the Participant's termination date, and would not have attained the requirements for Normal Retirement within six months after the Participant's termination date, then the restrictions applicable to any time-vesting Restricted Stock Award shall lapse upon the Participant's termination date, as to such Shares of Restricted Stock that would have vested at such time(s) as are set forth in the applicable Grant Notice as if the Participant had continued to be employed by the Corporation or one of its Affiliates during the six-month period after the Participant's termination date.

Notwithstanding the foregoing, this Section III.3(C) shall not apply to any Restricted Stock Award the vesting of which is based, in whole or in part, on attainment of performance objectives. The procedures set forth in Section VIII.6 will be applied for any taxes due upon the lapse of restrictions imposed on a Restricted Stock Award due to a Participant's Normal Retirement eligibility.

4. Dividends. Cash dividends paid with respect to Restricted Stock during the Restriction Period shall be credited on behalf of the Participant to a deferred cash account (in a manner designed to comply with Code Section 409A) and the restrictions on such cash dividends shall lapse at the same time that the restrictions lapse on the associated Restricted Stock Award. Stock dividends paid with respect to Restricted Stock during the Restriction Period shall be treated as Restricted Stock which shall be subject to the same restrictions as the original award for the duration of the Restriction Period.

5. Election to Recognize Gross Income in the Year of Grant. If any Participant who is a U.S. taxpayer validly elects within 30 days of the Grant Date, to include in gross income for federal income tax purposes an amount equal to the fair market value of the Shares of Restricted Stock granted on the Grant Date, such Participant shall (at the same time or prior to the date that the Participant files the Participant's election with the Internal Revenue Service) (A) pay to the Corporation, or make arrangements satisfactory to the Administrator to pay to the Corporation in the year of such grant, any federal, state or local taxes required to be withheld with respect to such Shares in accordance with Section VIII.6, and (B) provide the Administrator with a copy of the election filed with the Internal Revenue Service.

6. Restrictive Legend. Each book entry in the records of the Corporation's transfer agent evidencing Shares granted pursuant to a Restricted Stock grant may bear an appropriate legend referring to the terms, conditions and restrictions described in the Plan and/or the Restricted Stock Agreement.

7. Expiration of Restriction Period. If and when the Restriction Period applicable to the Restricted Stock expires without a prior forfeiture, Shares shall be credited to the Participant's brokerage account of record. If the Participant does not have a brokerage account of record, then an appropriate book entry recording the Participant's interest in the unrestricted Shares shall be entered on the records of the Corporation's transfer agent.

#### **IV. RESTRICTED STOCK UNITS**

1. Restricted Stock Unit Agreement. Restricted Stock Units granted under the Plan shall be evidenced by a Restricted Stock Unit Agreement to be executed by the Participant and the Corporation setting forth the terms and conditions of the Restricted Stock Units. Each Restricted Stock Unit Grant Notice shall incorporate by reference and be subject to this Statement of Terms and Conditions, including the special terms and conditions in the Appendix for the Participant's country (if any) which forms part of this Statement of Terms and Conditions, and together both documents shall constitute the Restricted Stock Unit Agreement. The Restricted Stock Units are also subject to the terms and conditions of the Plan.

2. Special Restrictions. Restricted Stock Units granted under the Plan shall be subject to the following terms, conditions and restrictions and such additional terms, conditions and restrictions as may be determined by the Administrator, consistent with the terms of the Plan.

(A) Restrictions. If a Participant ceases to be a bona fide employee of the Corporation or any Affiliate (except as otherwise provided in the Plan, or in Section IV.2(B) or Section IV.2(C)) prior to the lapse of the restrictions imposed on the Award, the unvested Restricted Stock Units shall be canceled, and all the rights of the Participant to such Awards shall immediately terminate. If a Participant is absent from work with the Corporation or an Affiliate because of the Participant's Short-Term Disability or because the Participant is on an approved leave of absence, the Participant shall not be deemed during the period of any such absence, by virtue of such absence alone, to have terminated employment with the Corporation or an Affiliate except as the Administrator may otherwise expressly determine.

(B) Termination of Employment by Reason of Death, Long-Term Disability or Normal Retirement. Notwithstanding any provision contained to the contrary in the Restricted Stock Unit Grant Notice, if a Participant who has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date of such Award ceases to be a bona fide employee of the Corporation or an Affiliate as a result of:

(i) Death or Long-Term Disability, then the restrictions imposed on any Award of Restricted Stock Units shall lapse on the date of such termination; or

(ii) Normal Retirement on or after the first anniversary of the Grant Date of any time-vesting Restricted Stock Units, the restrictions applicable to such Restricted Stock Units shall continue to lapse at such time(s) as are set forth in the applicable Grant Notice, as though the Participant had continued to be employed by the Corporation or one of its Affiliates during such restricted period.

(C) Termination of Employment by Reason of Severance. Notwithstanding any provision to the contrary contained in the Restricted Stock Unit Grant Notice, if a Participant who has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date of a Restricted Stock Unit Award ceases to be a bona fide employee of the Corporation or an Affiliate as a result of Severance, and:

(i) The Participant either (a) has attained the requirements for Normal Retirement on or prior to the Participant's termination date or (b) would have attained the requirements for Normal Retirement within six months after the Participant's termination date, then any time-vesting Restricted Stock Unit Award shall be subject to the Normal Retirement provisions of Section IV.2(B)(ii); or

(ii) The Participant has not attained the requirements for Normal Retirement on or prior to the Participant's termination date, and would not have attained the requirements for Normal Retirement within six months after the Participant's termination date, then the restrictions applicable to any time-vesting Restricted Stock Unit Award shall lapse upon the termination date, as to such Restricted Stock Units that would have vested at such time(s) as are set forth in the applicable Grant Notice as if the Participant had continued to be employed by the Corporation or one of its Affiliates during the six-month period after the termination date.

3. Dividend Equivalents. Subject to the discretion of the Compensation Committee, dividend equivalents shall be credited in respect of Restricted Stock Units. Cash dividends shall be credited on behalf of the Participant to a deferred cash account (in a manner designed to comply with Code Section 409A) and the restrictions on such cash dividends shall lapse at the same time that the restrictions lapse on the associated Award of Restricted Stock Units, and cash dividends shall be paid in a lump sum at the same time that the Shares underlying the Restricted Stock Unit Award, and to which the cash dividends relate, are distributed. Stock dividends shall be converted into additional Restricted Stock Units, which will be subject to all of the terms and conditions of the underlying Restricted Stock Units, including the same vesting restrictions as the underlying Award.

4. Assignability. A Participant shall not be permitted to sell, transfer, pledge, assign or encumber Restricted Stock Units, other than pursuant to a qualified domestic relations order as defined in the Code or Title I of the U.S. Employee Retirement Income Security Act.

5. No Stockholder Rights. Neither a Participant nor any person entitled to exercise a Participant's rights in the event of the Participant's death shall have any of the rights of a stockholder with respect to an Award of Restricted Stock Units except to the extent that a book entry has been entered in the records of the Corporation's transfer agent with respect to the Shares paid upon the settlement of any vested Restricted Stock Units.



6. Time of Payment of Restricted Stock Units. Upon the lapse of the restriction imposed on Restricted Stock Units, all Restricted Stock Units that were not forfeited pursuant to Section IV.2(A), Section IV.2(B)(i), Section IV.2(C)(i), or Section VI shall be paid to the Participant as soon as reasonably practicable after the restrictions lapse. Payment shall be made in Shares to the Participant's brokerage account of record. If the Participant does not have a brokerage account of record, then in the form of an appropriate book entry entered in the records of the Corporation's transfer agent recording the Participant's unrestricted interest in the number of Shares subject to the Restricted Stock Units.

Notwithstanding the foregoing, if a Participant becomes eligible for Normal Retirement, or is eligible for additional vesting under Section IV.2(C)(ii), prior to the date of the lapse of restrictions imposed on Restricted Stock Units and the vesting provisions of Section IV.2(B)(ii) or Section IV.2(C)(ii) apply, then such Restricted Stock Units shall be paid to the Participant's brokerage account of record as soon as reasonably practicable after the earlier of the Participant's Separation from Service or the originally scheduled vesting date (in any event before the end of the calendar year in which such date occurs), subject to the delay of payment (if applicable) provided in Section VIII.14. The procedures set forth in Section VIII.6 will be applied for any taxes due upon the lapse of restrictions imposed on a Restricted Stock Unit Award due to a Participant's Normal Retirement eligibility or additional vesting as provided in Section IV.2(C)(ii).

## **V. PERFORMANCE STOCK UNITS**

1. Award Agreement. Performance Stock Unit Awards shall be evidenced by a Performance Stock Unit Agreement to be executed by the Participant and the Corporation setting forth the terms and conditions of the Performance Stock Unit Award. Performance Stock Unit Awards are "Performance Awards" as provided under Section 10 of the Plan. Each Performance Stock Unit Agreement shall incorporate by reference and be subject to this Statement of Terms and Conditions, including the special terms and conditions in the Appendix for the Participant's country (if any) which forms part of this Statement of Terms and Conditions, and together both documents shall constitute the Performance Stock Unit Agreement. Performance Stock Unit Awards are also subject to the terms and conditions of the Plan.

2. Number of Shares Granted Based on Performance. The performance period of a Performance Stock Unit Award shall be greater than one year, and performance shall be based on such criteria as the Compensation Committee shall determine in its discretion at the beginning of the performance period. Following the end of the performance period, the Compensation Committee shall determine the extent to which the criteria have been achieved, and shall authorize the grant and issuance of Shares in respect of the Performance Stock Unit Award.

3. Special Conditions. Performance Stock Unit Awards shall be subject to the following terms, conditions and restrictions and such additional terms, conditions and restrictions as may be determined by the Compensation Committee, consistent with the terms of the Plan.

(A) Forfeiture. If a Participant ceases to be a bona fide employee of the Corporation or any Affiliate (except as otherwise provided in the Plan or in Section V.3(B) or Section V.3(C)) prior to the end of the performance period, any then-outstanding Performance Stock Units shall be canceled, and all the rights of the Participant to such Award shall immediately terminate. If a Participant is absent from work with the Corporation or an Affiliate because of the Participant's Short-Term Disability or because the Participant is on an approved leave of absence, the Participant shall not be deemed during the period of any such absence, by virtue of such absence alone, to have terminated employment with the Corporation or an Affiliate except as the Compensation Committee may otherwise expressly determine.

(B) Termination of Employment by Reason of Death, Long-Term Disability or Normal Retirement. Notwithstanding any provision contained herein or in the Plan or the Award Agreement to the contrary, if a Participant who has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date of such Award ceases to be a bona fide employee of the Corporation or an Affiliate as a result of:

(i) Death or Long-Term Disability, the Participant shall be eligible to receive, following completion of the applicable performance period, a prorated portion of each such Performance Stock Unit Award, equal to (1) the target number of Performance Stock Units subject to such Award, *multiplied by* (2) the performance criteria determined by the Compensation Committee to apply to such Award, *multiplied by* (3) a fraction, the numerator of which is the number of whole calendar months, rounded down to the nearest whole month, during which the Participant provided Service to the Corporation or an Affiliate during the performance period applicable to such Award, and the denominator of which is the number of calendar months in such performance period; provided, that for purposes of this clause (3), "whole calendar months" shall be calculated commencing on the applicable Grant Date;

provided, however, that in no event shall such amount exceed any applicable cap or limitation set forth in the Performance Stock Unit Grant Notice; or

(ii) Normal Retirement on or after the first anniversary of the Grant Date, the Participant shall be eligible to vest in such Performance Stock Unit Award following completion of the applicable performance period, as though the Participant had continued to be employed by the Corporation or one of its Affiliates through the date on which the Compensation Committee determines performance against the applicable performance goals.

Amounts, if any, to be paid under this Section V.3(B) shall be paid in accordance with Section V.7 and, if applicable, Section VIII.14.

(C) Termination of Employment by Reason of Severance. Notwithstanding any provision to the contrary, if the Participant has been in the continuous employment of the Corporation or any of its Affiliates since the Grant Date and ceases to be a bona fide employee of the Corporation or an Affiliate as a result of Severance, and:

(i) The Participant either (a) has attained the requirements for Normal Retirement on or prior to the Participant's termination date or (b) would have attained the requirements for Normal Retirement within six months after the Participant's termination date, then any Performance Stock Unit Award shall be subject to the Normal Retirement provisions of Section V.3(B)(ii); or

(ii) The Participant has not attained the requirements for Normal Retirement on or prior to the Participant's termination date, and would not have attained the requirements for Normal Retirement within six months after the Participant's termination date, then if such Participant's termination date is no greater than six months prior to the date on which the Compensation Committee determines performance against the applicable performance goals, such Participant shall be eligible to vest in such Performance Stock Unit Award following completion of the applicable performance period, as though the Participant had continued to be employed by the Corporation or one of its Affiliates through such performance determination date.

Amounts, if any, to be paid under this Section V.3(C) shall be paid in accordance with Section V.7 and, if applicable, Section VIII.14.

4. Dividend Equivalents. Unless otherwise determined by the Compensation Committee in its sole discretion, Dividend Equivalents shall not be accrued with respect to Performance Stock Unit Awards during the performance period.

5. Assignability. A Participant shall not be permitted to sell, transfer, pledge, assign or encumber all or any portion of a Performance Stock Unit Award.

6. No Stockholder Rights. Neither a Participant nor any person entitled to exercise a Participant's rights in the event of the Participant's death shall have any of the rights of a stockholder with respect to a Performance Stock Unit Award, except to the extent that a book entry has been entered in the records of the Corporation's transfer agent with respect to the Shares paid upon the settlement of any Performance Stock Unit Award.

7. Time of Payment of Performance Stock Units. The Compensation Committee shall determine the extent to which Shares are payable pursuant to a Performance Stock Unit Award as soon as practicable following the end of the performance period, and such Shares shall be paid as soon as practicable thereafter and in any event no later than the end of the period under which payment would be deemed to be a "short-term deferral" as defined in the regulations under Code Section 409A. Payment shall be made in the form of Shares to the Participant's brokerage account of record. If the Participant does not have a brokerage account of record, then in the form of an appropriate book entry entered in the records of the Corporation's transfer agent recording the Participant's unrestricted interest in the number of Shares earned pursuant to the Performance Stock Unit Award.

## **VI. SPECIAL FORFEITURE AND REPAYMENT RULES**

Any other provision of this Statement of Terms and Conditions to the contrary notwithstanding, if the Administrator determines that a Participant has engaged in any of the actions described in 3 below, the consequences set forth in 1 and 2 below shall result:

1. Any outstanding Option shall immediately and automatically terminate, be forfeited and shall cease to be exercisable, without limitation. In addition, any Award of Restricted Stock or Restricted Stock Units as to which the restrictions have not lapsed shall immediately and automatically be forfeited, Performance Stock Unit Awards shall immediately and automatically be forfeited and any such Shares of Restricted Stock shall be returned to the Corporation and all of the rights of the Participant to such Awards and the underlying Shares shall immediately terminate.

2. If the Participant exercised an Option within 12 months prior to the date upon which the Corporation discovered that the Participant engaged in any actions described in 3 below, the Participant, upon written notice from the Corporation, shall immediately pay to the Corporation the economic value realized or obtained by the exercise of such Option measured at the date of exercise. In addition, if the restrictions imposed on any Award of Restricted Stock or Restricted Stock Units (including any unpaid dividends or Dividend Equivalents) lapsed, or any Performance Stock Unit Award was settled, within 12 months prior to the date the Corporation discovered that the Participant engaged in any action described in 3 below, the Participant, upon written notice from the Corporation, shall immediately pay to the Corporation the economic value realized or obtained with respect to such Award, measured at the date such Award vested.

3. The consequences described in 1 and 2 above shall apply if the Participant, either before or after termination of employment with the Corporation or its Affiliates:

(A) Discloses to others, or takes or uses for the Participant's own purpose or the purpose of others, any trade secrets, confidential information, knowledge, data or know-how or any other proprietary information or intellectual property belonging to the Corporation or its Affiliates and obtained by the Participant during the term of the Participant's employment, whether or not they are the Participant's work product. Examples of such confidential information or trade secrets include, without limitation, customer lists, supplier lists, pricing and cost data, computer programs, delivery routes, advertising plans, wage and salary data, financial information, research and development plans, processes, equipment, product information and all other types and categories of information as to which the Participant knows or has reason to know that the Corporation or its Affiliates intends or expects secrecy to be maintained;

(B) Fails to promptly return all documents and other tangible items belonging to the Corporation or its Affiliates in the Participant's possession or control, including all complete or partial copies, recordings, abstracts, notes or reproductions of any kind made from or about such documents or information contained therein, upon termination of employment, whether pursuant to retirement or otherwise;

(C) Fails to provide the Corporation with at least 30 days' written notice prior to directly or indirectly engaging in, becoming employed by, or rendering services, advice or assistance to any business in competition with the Corporation or its Affiliates. As used herein, "business in competition" means any person, organization or enterprise which is engaged in or is about to become engaged in any line of business engaged in by the Corporation or its Affiliates at the time of the termination of the Participant's employment with the Corporation or its Affiliates;

(D) Fails to inform any new employer, before accepting employment, of the terms of this paragraph and of the Participant's continuing obligation to maintain the confidentiality of the trade secrets and other confidential information belonging to the Corporation or its Affiliates and obtained by the Participant during the term of the Participant's employment with the Corporation or any of its Affiliates;

(E) Induces or attempts to induce, directly or indirectly, any of the customers of the Corporation or its Affiliates, employees, representatives or consultants to terminate, discontinue or cease working with or for the Corporation or its Affiliates, or to breach any contract with the Corporation or any of its Affiliates, in order to work with or for, or enter into a contract with, the Participant or any third party;

(F) Engages in conduct which is not in good faith and which disrupts, damages, impairs or interferes with the business, reputation or employees of the Corporation or its Affiliates; or

(G) Fails to meet the Participant's continuing obligations with respect to non-disclosure, non-competition and/or non-solicitation under the Participant's agreement with the Corporation or any Affiliate.

The Administrator shall determine in its sole discretion whether the Participant has engaged in any of the acts set forth in (A) through (G) above, and its determination shall be conclusive and binding on all interested persons.

Any provision of this Section VI which is determined by a court of competent jurisdiction to be invalid or unenforceable should be construed or limited in a manner that is valid and enforceable and that comes closest to the business objectives intended by such invalid or unenforceable provision, without invalidating or rendering unenforceable the remaining provisions of this Section VI.

## **VII. CHANGE IN CONTROL**

If as a result of a Change in Control, the Common Stock ceases to be listed for trading on a national securities exchange (an "Exchange"), any Option, Restricted Stock Award, Restricted Stock Unit Award or Performance Stock Unit Award that is unvested on the effective date of the Change in Control shall continue to vest according to the terms and conditions of such Award, provided that such Award is replaced with an award for voting securities of the resulting corporation or the acquiring corporation, as the case may be, (including without limitation, the voting securities of any corporation which as a result of the Change in Control owns the Corporation or all or substantially all of the Corporation's assets either directly or through one or more subsidiaries) (the "Surviving Company") which are traded on an Exchange (a "Replacement Award"), which Replacement Award, (i) in the case of an Option, shall consist of an option with the number of underlying shares and exercise price determined in a manner consistent with Code Section 424(a) with vesting and any other terms continuing in the same manner as the replaced Option; (ii) in the case of a Performance Stock Unit Award, shall consist of restricted stock or restricted stock units with a value (determined using the Surviving Company's stock price as of the effective date of the Change in Control) equal to the value of the Performance Stock Unit Award (determined using the Corporation's stock price and assuming attainment of target performance or actual performance achieved, if greater, as of the effective date of the Change in Control), with any restrictions on such Replacement Award lapsing at the end of the measuring period over which performance for the replaced Performance Stock Unit Award was to be measured prior to the granting of the Replacement Award; and (iii) in the case of a Restricted Stock Award or Restricted Stock Unit Award, shall consist of restricted stock or restricted stock units with a value (determined using the Surviving Company's stock price as of the effective date of the Change in Control) equal to the value of the Restricted Stock Award or Restricted Stock Unit Award (determined using the Corporation's stock price as of the effective date of the Change in Control), with any restrictions on such restricted stock or restricted stock units lapsing at the same time and manner as the replaced Award; provided, however, that in the event of the Participant's involuntary Separation from Service by the Corporation without Cause or Separation from Service by the Participant for Good Reason during the vesting period of any Replacement Award, the Replacement Award shall immediately vest and be paid as soon as practicable following such Separation from Service (subject to Section VIII.14), based on the fair market value of the underlying shares on the vesting date, or in the case of options, based on the excess of the fair market value of the underlying shares over the option exercise price on the vesting date. If any Option, Restricted Stock Award, Restricted Stock Unit Award or Performance Stock Unit Award that is unvested at the effective time of the Change in Control is not replaced with a Replacement Award, such Award shall immediately vest and, in the case of a Performance Stock Unit Award, shall vest based upon deemed attainment of target performance or actual performance achieved, if greater.

If as a result of a Change in Control, the Common Stock continues to be listed for trading on an Exchange, any unvested Option, Restricted Stock Award, or Restricted Stock Unit Award shall continue to vest according to the terms and conditions of such Award and any Performance Stock Unit Award shall be replaced with a Restricted Stock Unit Award where the number of shares subject to such Restricted Stock Unit Award shall be equal to the number of Shares assuming attainment of target performance or actual performance achieved, if greater, as of the effective date of the Change in Control with any restrictions on such Restricted Stock Unit Award lapsing at the end of the measuring period over which performance for the replaced Performance Stock Unit Award was to be measured prior to the granting of the Replacement Award; provided however, that, in the event of the Participant's involuntary Separation from Service by the Corporation without Cause or Separation from Service by the Participant for Good Reason during the vesting period of an Award, such Award shall immediately vest and be paid as soon as practicable following such Separation from Service (subject to Section VIII.14).

## **VIII. MISCELLANEOUS**

1. No Effect on Terms of Employment. Participation in the Plan shall not create a right to further employment with the Participant's employer (the "Employer") and shall not interfere with the ability of the Employer to terminate, with or without cause, or change the terms of employment of a Participant at any time.

2. Grants to Participants in Foreign Countries. In making grants to Participants in foreign countries, the Administrator has the full discretion to deviate from this Statement of Terms and Conditions in order to adjust grants under the Plan to prevailing local conditions, including custom and legal and tax requirements. Furthermore, the Corporation reserves the right to impose other requirements on the Participant's participation in the Plan on the Award and on any Shares acquired under the Plan, to the extent the Corporation determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require the Participant to sign any additional agreements or undertaking that may be necessary to accomplish the foregoing.

3. Information Notification. Any information required to be given under the terms of an Award shall be addressed to the Corporation in care of its Corporate Secretary at McKesson Corporation, 6555 North State Highway 161, Irving, Texas 75039, and any notice to be given to a Participant shall be addressed to such Participant at the address indicated beneath the Participant's name on the Award Agreement or such other address as either party may designate in writing to the other. Any such notice shall be deemed to have been duly given when enclosed in a properly sealed envelope or wrapper addressed as aforesaid, registered or certified and deposited (postage or registration or certification fee prepaid) in a post office or branch post office. The parties may use email delivery, so long as the message is clearly marked, sent to the email address(es) set forth herein, and a delivery receipt and a read receipt are made part of the message. Email delivery will be deemed to occur when the sender receives confirmation that such message has been received and read by the recipient. Emails to the Corporation shall be delivered to CorpSecretary@McKesson.com.

4. Administrator Decisions Conclusive. All decisions of the Administrator administering the Plan upon any questions arising under the Plan or under an Award Agreement, shall be conclusive and binding on all interested persons.

5. No Effect on Other Benefit Plans. Nothing herein contained shall affect a Participant's right to participate in and receive benefits from and in accordance with the then current provisions of any pensions, insurance or other employment welfare plan or program offered by the Corporation.

6. Withholding. Regardless of any action the Corporation or the Employer takes with respect to any federal, state or local income tax, social insurance contributions, payroll tax, payment on account or other tax-related items related to the Participant's participation in the Plan and legally applicable to the Participant ("Tax-Related Items"), the Participant acknowledges that the ultimate liability for all Tax-Related Items is and remains the Participant's responsibility and may exceed the amount actually withheld by the Corporation or the Employer. The Participant further acknowledges that the Corporation and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Award, including the grant, vesting, settlement or exercise of the Award, as applicable, the subsequent sale of Shares acquired pursuant to the Plan and the receipt of any dividends and/or dividend equivalents; and (2) do not commit and are under no obligation to structure the terms of the grant or any aspect of the Award to reduce or eliminate the Participant's liability for Tax-Related Items or achieve any particular tax result. Further, if the Participant has become subject to tax in more than one jurisdiction between the Grant Date and the date of any relevant taxable event, the Participant acknowledges that the Corporation and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to any relevant taxable or tax withholding event, as applicable, the Participant will pay or make adequate arrangements satisfactory to the Corporation and/or the Employer, or their respective agents, at their discretion, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following: (1) withholding from the Participant's wages or other cash compensation paid to the Participant by the Corporation and/or the Employer; (2) withholding from proceeds of the sale of Shares acquired under the Plan either through a voluntary sale or through a mandatory sale arranged by the Corporation (on the Participant's behalf pursuant to this authorization and any other authorization the Corporation and/or the broker designated by the Corporation may require the Participant to sign in connection with the sale of Shares); (3) withholding Shares to be issued upon grant, vesting/settlement or exercise, as applicable; or (4) any other method of withholding determined by the Corporation and to the extent required by applicable law or the Plan, approved by the Compensation Committee. Calculation of the number of Shares to be withheld shall be made based on the closing price of the Common Stock on the New York Stock Exchange on the date that the amount of tax to be withheld is determined. In no event, however, shall the Corporation be required to issue fractional Shares. With respect to an Award other than an Option, if adequate arrangements to satisfy the obligations with regard to all Tax-Related Items are not made by the Participant with the Corporation and/or the Employer prior to the relevant taxable event, the Corporation will satisfy such obligations as provided above in clause (3) of this paragraph.

The Corporation or the Employer may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates, including maximum applicable rates in the Participant's jurisdiction(s). If the obligation for Tax-Related Items is satisfied by withholding in Shares, for

tax purposes, the Participant will be deemed to have been issued the full number of Shares subject to the Award, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of the Participant's participation in the Plan. In the event any excess amounts are withheld to satisfy the obligation for Tax-Related Items, the Participant may be entitled to receive a refund of any over-withheld amount (with no entitlement to the Share equivalent), or if not refunded by the Corporation or the Employer, the Participant must seek a refund from the local tax authorities to the extent the Participant wishes to recover the over-withheld amount in the form of a refund. In the event of under-withholding, the Participant may be required to pay any additional Tax-Related Items directly to the applicable tax authority or to the Corporation and/or the Employer.

Finally, the Participant shall pay to the Corporation or the Employer any amount of Tax-Related Items that the Corporation or the Employer may be required to withhold or account for as a result of the Participant's participation in the Plan that cannot be satisfied by the means previously described. The Corporation may refuse to issue or deliver the Shares or the proceeds of the sale of Shares if the Participant fails to comply with the Participant's obligations in connection with the Tax-Related Items.

The Administrator shall be authorized to establish such rules, forms and procedures as it deems necessary to implement the foregoing.

7. Successors. The Award Agreements shall be binding upon and inure to the benefit of any successor or successors of the Corporation. "Participant" as used herein shall include the Participant's Beneficiary.

8. Delaware Law. The interpretation, performance, and enforcement of all Award Agreements shall be governed by the laws of the State of Delaware.

9. Nature of Grant. In accepting the grant, the Participant acknowledges that:

(A) the Plan is established voluntarily by the Corporation, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Corporation at any time;

(B) the grant of the Award is exceptional, voluntary and occasional and does not create any contractual or other right to receive future Award grants, or benefits in lieu of Awards, even if Awards have been granted repeatedly in the past;

(C) all decisions with respect to future Awards, if any, will be at the sole discretion of the Corporation;

(D) the Participant is voluntarily participating in the Plan;

(E) the Award and the Shares subject to the Award, and the income from and value of same, are not part of normal or expected compensation for any purpose, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments;

(F) the Award will not be interpreted to form an employment contract or relationship with the Corporation; and furthermore, the Award will not be interpreted to form an employment contract with any subsidiary or Affiliate of the Corporation;

(G) the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;

(H) if the underlying Shares do not increase in value, the Options will have no value;

(I) in consideration of the grant of the Award, no claim or entitlement to compensation or damages shall arise from forfeiture of the Award which results from termination of the Participant's employment with the Employer or the Corporation or one of its Affiliates (for any reason whatsoever, and whether or not such forfeiture is later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment agreement, if any) and the Participant irrevocably releases the Corporation or its Affiliates from any such claim that may arise; provided that, notwithstanding the foregoing, in the event any such claim is found by a court of competent jurisdiction to have arisen, then, by accepting the Award, the Participant shall be deemed irrevocably to have waived the Participant's entitlement to pursue such claim;

(J) for purposes of an Award, the Participant's employment relationship will be considered terminated as of the date the Participant is no longer a bona fide employee of the Corporation, the Employer or one of the Corporation's other Affiliates (regardless of the reason for such termination and whether or not later found to be invalid or in breach of the employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment agreement, if any), and unless otherwise expressly provided in this Award Agreement or determined by the Corporation in its sole discretion, the Participant's right to receive Awards and vest in Awards under the Plan, if any, will terminate effective as of such date and will not be extended by any notice period mandated under local law (for example, the Participant's period of service would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment agreement, if any); similarly, any right to exercise Options under the Plan after termination of employment will be measured as of the date the Participant is no longer a bona fide employee of the Corporation, the Employer or one of the Corporation's other Affiliates and will not be extended by any notice period mandated under local law; the Administrator shall have the sole discretion to determine when the Participant is no longer a bona fide employee for purposes of an Award (including whether the Participant may still be considered to be providing services while on a leave of absence);

(K) the Corporation is not providing any tax, legal or financial advice, nor is the Corporation making any recommendations regarding participation in the Plan or the Participant's acquisition or sale of Shares; and

(L) the Participant is hereby advised to consult with the Participant's own personal tax, legal and financial advisors regarding Participant's participation in the Plan before taking any action related to the Plan.

10. **Data Privacy Information and Consent.**

(A) ***Data Collection and Usage.*** *The Corporation and the Employer may collect, process and use certain personal information about the Participant, including, but not limited to, the Participant's name, home address and telephone number, email address, date of birth, social insurance number, passport or other identification number, salary, nationality, job title, any Shares or directorships held in the Corporation, details of all Options, Restricted Stock, Restricted Stock Units, Performance Stock Units, Other Share-Based Awards, or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in the Employee's favor ("Data"), for the purposes of implementing, administering and managing the Plan. The legal basis, where required, for the processing of Data is the Participant's consent.*

(B) ***Stock Plan Administration Service Providers.*** *The Corporation transfers Data to Fidelity Stock Plan Services LLC and its affiliated companies, an independent service provider based in the United States, which is assisting the Corporation with the implementation, administration and management of the Plan. The Corporation may select a different service provider or additional service providers and share Data with such other provider serving in a similar manner. The Participant may be asked to agree on separate terms and data processing practices with the service provider, with such agreement being a condition to the ability to participate in the Plan.*

(C) ***International Data Transfers.*** *The Corporation and its service providers are based in the United States. The Participant's country or jurisdiction may have different data privacy laws and protections than the United States. The Corporation's legal basis, where required, for the transfer of Data is the Participant's consent.*

(D) ***Data Retention.*** *The Corporation will hold and use the Data only as long as is necessary to implement, administer and manage the Participant's participation in the Plan, or as required to comply with legal or regulatory obligations, including under tax and security laws. In the latter case, the Participant understands and acknowledges that the Corporation's legal basis for the processing of the Participant's Data would be compliance with the relevant laws or regulations or the pursuit by the Corporation of respective legitimate interests not outweighed by the Participant's interests, rights or freedoms. When the Corporation no longer needs the Participant's Data for any of the above purposes, the Participant understands the Corporation will remove it from its systems.*

(E) ***Voluntariness and Consequences of Consent Denial or Withdrawal.*** *Participation in the Plan is voluntary and the Participant is providing the consents herein on a purely voluntary basis. If the Participant does not consent, or if the Participant later seeks to revoke the Participant's consent, the Participant's salary from or employment with the Employer will not be affected; the only consequence of refusing or withdrawing the Participant's consent is that the Corporation would not be able to grant Awards to the Participant or administer or maintain such Awards.*

(F) **Data Subject Rights.** *The Participant may have a number of rights under data privacy laws in the Participant's jurisdiction. Depending on where the Participant is based, such rights may include the right to (i) inquire whether and what kind of Data the Corporation holds about the Participant and how it is processed, and to request access or copies of Data the Corporation processes, (ii) request the correction or supplementation of Data about the Participant that is inaccurate, incomplete or out-of-date in light of the purposes underlying the processing, (iii) obtain the erasure of Data no longer necessary for the purposes underlying the processing, processed based on withdrawn consent, processed for legitimate interests that, in the context of the Participant's objection, do not prove to be compelling, or processed in non-compliance with applicable legal requirements, (iv) request restrictions on processing of Data in certain situations where the Participant feels its processing is inappropriate, (v) request portability of the Participant's Data that the Participant has actively or passively provided to the Corporation (which does not include data derived or inferred from the collected data), where the processing of such Data is based on consent or the Participant's employment and is carried out by automated means, (vi) object, in certain circumstances, to the processing of Data for legitimate interests, (vii) lodge complaints with competent authorities in the Participant's jurisdiction, and/or (viii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, the Participant can contact his or her local human resources representative.*

*By accepting the Award and indicating consent via the Corporation's acceptance procedure, the Participant is declaring that he or she agrees with the data processing practices described herein and consents to the collection, processing and use of Data by the Corporation and the transfer of Data to the recipients mentioned above, including recipients located in countries which do not adduce an adequate level of protection from a European (or other non-U.S.) data protection law perspective, for the purposes described above.*

11. **Severability.** The provisions in this Statement of Terms and Conditions are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

12. **Language.** The Participant acknowledges that the Participant is proficient in the English language, or has consulted with an advisor who is sufficiently proficient in the English language, and, accordingly, understands the provisions of the Plan and this Statement of Terms and Conditions. If the Participant has received this Statement of Terms and Conditions or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control unless otherwise required by local law.

13. **Electronic Delivery.** The Corporation may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Corporation or a third party designated by the Corporation.

14. **Section 409A.** If (A) the Participant is a Specified Employee at the time of the Participant's Separation from Service, and (B) some or any portion of the amounts payable to the Participant, if any, when considered together with any other payments or benefits which may be considered deferred compensation under section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A") and subject to the plan aggregation rules under Treasury Regulation section 1.409A-1(c)(3)(viii) (together, the "Deferred Compensation Benefits") would result in the imposition of additional tax under Section 409A if paid to the Participant on or within the six month period following the Separation from Service, then to the extent such portion of the Deferred Compensation Benefits resulting in the imposition of additional tax would otherwise have been payable on or within the first six months following the Separation from Service, it will instead become payable on the first payroll date that occurs in the seventh month following the Separation from Service (or such longer period as is required to avoid the imposition of additional tax under Section 409A). All subsequent Deferred Compensation Separation Benefits, if any, will be payable in accordance with the payment schedule applicable to each payment or benefit

15. **Recoupment.** The Participant acknowledges that any Award granted under the Plan or a predecessor to the Plan shall be subject to the McKesson Corporation Financial Restatement Compensation Recoupment Policy, as amended from time to time, which is incorporated herein by reference.

## **IX. DEFINITIONS**

When capitalized in this Statement of Terms and Conditions, the following terms shall have the meaning set forth below:



1. “Award Agreement” means an agreement between the Participant and the Corporation evidencing the grant of an Option, Restricted Stock Award, Restricted Stock Award, Performance Stock Unit Award or Other Share-Based Award, as applicable.

2. “Cause” means termination of the Participant’s employment with the Corporation or an Affiliate upon the Participant’s negligent or willful engagement in misconduct which, in the sole determination of the Chief Executive Officer of the Corporation (or the Chief Executive Officer’s designee), is injurious to the Corporation, its employees, or its customers.

3. “Early Retirement” means a termination of employment (other than due to death, Long-Term Disability or for Cause) which occurs prior to Normal Retirement but on or after the date on which the Participant’s age (expressed in terms of years and completed months) plus service with the Corporation or an Affiliate equals 65. For purposes of determining eligibility for Early Retirement, the term “service” shall include years and completed whole months of service.

4. “Family Member” means any person identified as an “immediate family” member in Rule 16(a)-1(e) of the Exchange Act, as such Rule may be amended from time to time. Notwithstanding the foregoing, the Administrator may designate any other person(s) or entity(ies) as a “family member.”

5. “Good Reason” means any of the following actions, if taken without the express written consent of the Participant:

(A) Any material change by the Corporation in the Participant’s functions, duties, or responsibilities, which change would cause the Participant’s position with the Corporation to become of less dignity, responsibility, importance, or scope from the position and attributes that applied to the Participant immediately prior to the Change in Control; provided, however, that, any such change attributable to the Corporation’s no longer being a company with publicly traded common stock shall not constitute Good Reason; and provided, further, that a reduction in the Participant’s functions, duties or responsibilities solely by virtue of the Corporation being acquired and made part of a larger entity (for example, if following a Change in Control the Participant retains the Participant’s position, or has a comparable position, with respect to a division or subsidiary of the acquirer that contains the Corporation’s business) shall not constitute Good Reason;

(B) Any significant reduction in the Participant’s aggregate base annual salary and target incentive opportunity, as in effect immediately prior to the Change in Control;

(C) Any material failure by the Corporation to comply with any of the provisions of an Award subsequent to a Change in Control; or

(D) The Corporation’s requiring the Participant to be based at any location which would increase the Participant’s regular one-way commute by more than 25 miles from that in effect immediately preceding the Change in Control, except for travel reasonably required in the performance of the Participant’s responsibilities;

Provided that the Participant gives notice to the Corporation of the existence of the Good Reason condition within 30 days of the initial existence of the Good Reason condition and the Corporation is provided 30 days after receipt of the Participant’s notice to remedy the Good Reason condition; provided further that the Participant’s Separation from Service must occur within six months from the initial existence of the Good Reason condition if the Corporation does not remedy such condition for such separation to be considered to be for Good Reason.

6. “Expiration Date” means the date that an Option expires as set forth in the Option Grant Notice as the “Expiration Date.”

7. “Grant Date” means the date the Administrator grants the Award.

8. “Grant Notice” means the notice of an Award granted to the Participant, which sets forth certain terms of such Award.

9. “Long-Term Disability” means a physical or mental condition in respect of which the administrator of the Corporation’s long-term disability plan has determined that the Participant is eligible to receive income replacement benefits; or, if the Participant is not then a participant in the Corporation’s long-term disability plan, a physical or mental condition that the administrator of the Corporation’s long-term disability plan determines would have rendered the Participant eligible to receive income replacement benefits, had the Participant been enrolled in such plan.

10. “Normal Retirement” means termination of employment (other than due to death, Long-Term Disability or for Cause) at or after age 60 with at least 10 years of service with the Corporation or an Affiliate. For purposes of determining eligibility for Normal Retirement, “service” shall mean completed whole years of service (12 consecutive months).

11. “Option Period” means the period commencing on the Grant Date of an Option and, except at otherwise provided in Section II.5, ending on the Expiration Date.

12. “Separation from Service” means termination of employment with the Corporation or an affiliate. A Participant shall be deemed to have had a Separation from Service if the Participant’s service with the Corporation or an affiliate is reduced to an annual rate that is equal to or less than 20% of the services rendered, on average, during the immediately preceding three years of service with the Corporation or an affiliate (or, if providing service to the Corporation or an affiliate for less than three years, such lesser period).

13. “Severance” means termination of employment with the Corporation or an Affiliate, and qualified for participation in and entitlement to benefits under the McKesson Corporation Severance Pay Plan or the McKesson Corporation Severance Policy for Executive Employees, as applicable, in accordance with the terms and conditions of such plans. A Participant outside the United States who is not qualified for participation in and entitlement to the benefits under such plans will nonetheless be treated for the limited purposes of his or her Awards, and subject to the provisions of Section VIII.9 of this Statement of Terms and Conditions, as terminated by reason of Severance to the extent his or her employment with the Corporation or an Affiliate is terminated and he or she would satisfy the conditions for termination for reason of Severance but for the fact that such plan is only applicable to employees of the Corporation or an Affiliate in the United States who qualify for participation in that plan.

14. “Short-Term Disability” means short-term disability as defined in the Corporation’s short-term disability plan.

15. “Specified Employee” means those employees identified by the Corporation as "Specified Employees" for purposes of Code Section 409A.

**OUTSIDE DIRECTOR**

**FORM OF  
MCKESSON CORPORATION 2022 STOCK PLAN  
RESTRICTED STOCK UNIT GRANT NOTICE**

<b>Grantee Name:</b>	
<b>Number of RSUs Granted:</b>	
<b>Date of Grant:</b>	

**Vesting Schedule: 100% vested on grant date.**

McKesson Corporation (the "Company") is pleased to grant you restricted stock units ("RSUs") under the Company's 2022 Stock Plan, as may be amended from time to time (the "Plan") to receive shares of common stock of the Company ("Shares"). This Grant Notice ("Notice"), together with the Statement of Terms and Conditions, as provided as an attachment to this Notice (the "ST&Cs"), constitute your Restricted Stock Unit Agreement, which along with the Plan set forth the terms of your grant.

Below is a list of documents that are made available to you in connection with this Notice. **PLEASE BE SURE TO READ THESE DOCUMENTS BECAUSE THEY CONTAIN IMPORTANT INFORMATION SPECIFIC TO THIS GRANT OF RSUs.** This grant, along with any other outstanding awards under the Plan, can be viewed on the Fidelity web site at [www.Netbenefits.com](http://www.Netbenefits.com).

By signing below, I acknowledge that:

1. I agree to receive copies of the stockholder information, including copies of any annual report, proxy and Form 10-K, from the Investors section of the McKesson website at [www.mckesson.com](http://www.mckesson.com); and
2. I also acknowledge that copies of the Plan, Plan prospectus, Plan information and stockholder information are available upon written or telephonic request to the Corporate Secretary (1-855-466-2547); and
3. I have access to the Company's web site; and
4. I consent to receiving electronically a copy of the documents set forth above and attachments to this Notice; and
5. The Plan and ST&Cs are incorporated by reference to this Notice; and
6. The Company recommends that the Grantee consult with a tax advisor prior to accepting this grant of RSUs; and
7. I accept ALL the terms and conditions as set forth in the Plan and the ST&Cs applicable to this grant of RSUs.

IN WITNESS WHEREOF, the Grantee has executed this Agreement, and the Company has caused these presents to be executed in its name and on its behalf, all as of the Grant Date.

By:

\_\_\_\_\_  
Brian S. Tyler

Chief Executive Officer  
McKesson Corporation

\_\_\_\_\_  
Grantee Signature

\_\_\_\_\_  
Date

**ATTACHMENTS:**

- \* 2022 Stock Plan
- \* 2022 Stock Plan Prospectus for Non-Employee Directors
- \* ST&Cs
- \* Hedging and Pledging Policy
- \* Appendix (Outside U.S. - country specific)

August 2022

**FORM OF  
MCKESSON CORPORATION 2022 STOCK PLAN  
RESTRICTED STOCK UNIT GRANT NOTICE**

<b>Grantee Name:</b>	
<b>Number of RSUs Granted:</b>	
<b>Date of Grant:</b>	
<b>Vesting Schedule:</b>	Please see Appendix

McKesson Corporation (the “Company”) is pleased to grant you restricted stock units (“RSUs”) under the Company’s 2022 Stock Plan (the “Plan”) which represent the contingent right to receive shares of common stock of the Company (“Shares”). This Grant Notice (“Notice”), together with the Statement of Terms and Conditions, as provided as an attachment to this Notice (the “ST&Cs”), constitute your Restricted Stock Unit Agreement. Your Restricted Stock Unit Agreement and your RSUs are subject to the terms of the Plan, which incorporates by reference the Company’s Compensation Recoupment Policy (the “Recoupment Policy”) and the Company’s Stock Ownership Policy (the “Stock Ownership Policy”), as both are amended from time to time).

Below is a list of documents that are made available to you in connection with this Notice. **PLEASE BE SURE TO READ THESE DOCUMENTS BECAUSE THEY CONTAIN IMPORTANT INFORMATION SPECIFIC TO THIS GRANT OF RSUs.** This grant, along with any other outstanding awards under the Plan, can be viewed on the Fidelity web site at [www.Netbenefits.com](http://www.Netbenefits.com).

By signing below, I acknowledge that:

1. I agree to receive copies of the Plan, the Plan prospectus and other Plan information, including information prepared to comply with the laws outside the United States, from the Company’s website and stockholder information, including copies of any annual report, proxy and Form 10-K, from the Investors section of the McKesson website at [www.mckesson.com](http://www.mckesson.com); and
2. I also acknowledge that copies of the Plan, Plan prospectus, Plan information and stockholder information are available upon written or telephonic request to the Corporate Secretary (1-855-466-2547); and
3. I have access to the Company’s web site; and
4. I consent to receiving electronically a copy of the documents set forth above and attachments to this Notice; and
5. The Plan (including the Recoupment Policy and Stock Ownership Policy) and ST&Cs are incorporated by reference to this Notice; and
6. The Company recommends that the Grantee consult with a tax advisor prior to accepting this grant of RSUs; and
7. I accept ALL the terms and conditions as set forth in the Plan and ST&Cs applicable to this grant of RSUs.

IN WITNESS WHEREOF, the Grantee has executed this Agreement, and the Company has caused these presents to be executed in its name and on its behalf, all as of the Grant Date.

\_\_\_\_\_  
Brian S. Tyler

Chief Executive Officer  
McKesson Corporation

\_\_\_\_\_  
Grantee Signature

\_\_\_\_\_  
Date

**ATTACHMENTS:**

- \* 2022 Stock Plan
- \* 2022 Stock Plan Prospectus
- \* ST&Cs Applicable to \_\_\_\_\_
- \* Compensation Recoupment Policy
- \* Hedging and Pledging Policy (Section 16 only)
- \* Stock Ownership Policy (EOT only)
- \* Appendix (Outside U.S. – country-specific)

August 2022

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**FORM OF  
MCKESSON CORPORATION 2022 STOCK PLAN  
PERFORMANCE STOCK UNIT GRANT NOTICE**

<b>Grantee Name:</b>	
<b>Target PSUs Granted:</b>	
<b>Date of Grant:</b>	
<b>Performance Period:</b>	FY 20__ - FY 20__

McKesson Corporation (the “Company”) is pleased to grant you target performance stock units (“PSUs”) under the Company’s 2022 Stock Plan (the “Plan”). This Grant Notice (“Notice”), together with the Statement of Terms and Conditions, as provided with this Notice (the “ST&Cs”), constitute your Performance Stock Unit Agreement. Your Performance Stock Unit Agreement and your PSUs are subject to the terms of the Plan, which incorporates by reference the Company’s Compensation Recoupment Policy (the “Recoupment Policy”), and the Company’s Stock Ownership Policy (the “Stock Ownership Policy”), as both are amended from time to time.

Your PSUs will be earned subject to the Company’s attainment of performance goals that have been pre-established by the Compensation and Talent Committee (the “Committee”) of the Company’s Board of Directors. You may receive 0%-200% of the target number of PSUs set forth above. PSUs, if earned, will be paid in the form of shares of the Company’s Common Stock (“Shares”) that are not subject to any further vesting restrictions. The Committee has the sole discretion to determine the Company’s performance against the pre-established goals after completion of the performance period, and to authorize the grant of Shares.

Below is a list of documents that are made available to you in connection with this Notice. **PLEASE BE SURE TO READ THESE DOCUMENTS BECAUSE THEY CONTAIN IMPORTANT INFORMATION SPECIFIC TO THIS GRANT OF PSUs.** This grant, along with any other outstanding awards under the Plan, can be viewed on the Fidelity web site at [www.Netbenefits.com](http://www.Netbenefits.com).

By signing below, I acknowledge that:

1. I agree to receive copies of the Plan, the Plan prospectus and other Plan information, including information prepared to comply with the laws outside the United States, from the Company’s website and stockholder information, including copies of any annual report, proxy and Form 10-K, from the Investors section of the McKesson website at [www.mckesson.com](http://www.mckesson.com); and
2. I also acknowledge that copies of the Plan, Plan prospectus, Plan information and stockholder information are available upon written or telephonic request to the Corporate Secretary (1-855-466-2547); and
3. I have access to the Company’s web site; and
4. I consent to receiving electronically a copy of the documents set forth above and attachments to this Notice; and
5. The Plan (including the Recoupment Policy and Stock Ownership Policy) and ST&Cs are incorporated by reference to this Notice; and
6. I should consult with a tax advisor prior to accepting this grant of PSUs or taking any other action with respect to this grant of PSUs; and
7. I accept ALL the terms and conditions as set forth in the Plan and ST&Cs applicable to this grant of PSUs.

IN WITNESS WHEREOF, the Grantee has executed this Agreement, and the Company has caused these presents to be executed in its name and on its behalf, all as of the Grant Date.

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Brian S. Tyler

Chief Executive Officer  
McKesson Corporation

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Grantee Signature

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Date

**Plan Documents and Related Policies**

- \* 2022 Stock Plan
- \* 2022 Stock Plan Prospectus
- \* ST&Cs Applicable to \_\_\_\_\_
- \* Compensation Recoupment Policy
- \* Hedging and Pledging Policy (Section 16 only)
- \* Stock Ownership Policy (EOT only)
- \* Appendix (Outside U.S. - country specific)

August 2022

**FORM OF  
McKESSON CORPORATION  
STATEMENT OF TERMS AND CONDITIONS  
APPLICABLE TO AWARDS  
PURSUANT TO THE MANAGEMENT INCENTIVE PLAN**

**Effective October 23, 2023**

The following terms and conditions shall apply to awards made under the McKesson Corporation Management Incentive Plan (the “Plan”) to an executive, managerial or professional employee of the Company who is specifically designated as a participant in the Plan. Capitalized terms used herein are defined in the Plan or in Section 11. In the event these terms and conditions conflict with the terms of the Plan document, the Plan document shall control.

**1. Participant.**

Only an active employee of the Company who is employed in an executive, managerial or professional capacity may be designated as a Participant under the Plan; provided, however, that designation as a Participant is contingent upon the execution and delivery to the Company of an agreement, within a period following presentment and in a form that is satisfactory to the Company, regarding confidentiality, intellectual property and/or other restrictive covenants, as well as compliance with such agreement; and provided, further, that the Committee shall determine in its sole discretion whether the Participant has complied with the provisions of any such agreement, which determination shall be conclusive and binding on all interested persons.

The Committee shall review those employees who are eligible to participate in the Plan and recommended by management and determine which of those employees will become Plan Participants. The Committee may add to or delete individuals from the list of designated Participants at any time and from time to time, at its sole discretion. The Committee has delegated the authority to approve Plan Participants to the Chief Executive Officer of the Company.

Participation in the Plan during the Performance Period does not guarantee payment of an Actual Award under the Plan for the Performance Period. Participation in the Plan during one Performance Period does not guarantee participation during a subsequent Performance Period.

**2. Individual Target Award.**

The Individual Target Award is the percentage of base annual salary specified at the beginning of the Performance Period (or beginning of participation, if later) for a Participant.

**a. Newly Eligible Employees.**

A newly hired employee, or an employee who is promoted into or transferred from an ineligible position to an eligible position during a Performance Period, may be designated a Participant with an Individual Target Award for that Performance Period.

**b. Transfers, Promotions and Demotions.**

A Participant who moves during the Performance Period from one eligible position to a new eligible position with a higher Individual Target Award will, in general, have the determination of his or her Actual Award prorated between the two Individual Target Awards.

A Participant who during the Performance Period is demoted to or transferred to a new eligible position with a lower Individual Target Award will have the determination of his or her Actual Award prorated in management’s discretion.

A Participant who during the Performance Period is demoted from or transferred from an eligible position to an ineligible position will have the determination of his or her Actual Award prorated in management’s discretion.

Notwithstanding the foregoing, any proration must be based on the achievement of Performance Goals for the Performance Period.

### **3. Performance Measures and Goals.**

Each Participant shall have one or more Individual Performance Measures. Individual Performance Measures may be quantitative, qualitative or both. The Performance Goals (defined in Article F of the Plan) established for each segment of the Company are referred to as the Business Scorecard. A Participant's Individual Performance Measures and the Performance Goals, taken as a whole, will determine the amount of the Participant's Actual Award.

A Participant who changes jobs and / or organizations during the Performance Period may have different Business Scorecards applicable to each job / organization. The Participant may, in management's discretion, have the determination of his or her Actual Award prorated between the two Business Scorecards.

### **4. Individual Performance Modifier.**

Actual Awards will be adjusted, in management's discretion, to reflect the Participant's individual contribution to Business Scorecard results and the Participant's Individual Performance Measures.

### **5. Other Individual Requirements.**

Notwithstanding any provision of the Plan to the contrary, no amount shall be payable with respect to the Performance Period unless the Committee certifies that it is satisfied that the requirements (performance or otherwise) associated with such payment have been fully met. Such requirements may include, but are not limited to:

- Completion of the Company's Legal and Regulatory Compliance and Ethics Training Program.

### **6. Award Determination.**

Any payment to a Participant shall be based on Business Scorecard results during the Performance Period as modified by the Participant's Individual Performance Modifier. The Actual Award is determined by:

- Taking the Covered Compensation received during the Performance Period;
- Multiplying by the Individual Target Award;
- Multiplying that result by the Business Scorecard results (actual vs. target);
- Adjusting the result determined above, up or down, by the Individual Performance Modifier.

Management and the Committee shall review and approve, modify or disapprove the Actual Award, if any, to be paid to a Participant for the Performance Period. Management and the Committee reserve the right to reduce or increase the individual payments determined according to the above method. No Personal Modifier shall exceed 150%.

### **7. Effect of a Termination of Employment, Prior to the End of the Performance Period, on Awards.**

#### **a. Termination of Employment for Other Than Death, Retirement, Severance or Long-Term Disability.**

If the Participant ceases to be a bona fide employee of the Company prior to the payment of the Actual Award, for any reason other than death, Retirement, Severance or Long-Term Disability, the Participant's interest in the Awards shall be forfeited and no amount shall be payable to the Participant with respect to service during the Performance Period.

#### **b. Termination of Employment by Reason of Death or Long-Term Disability.**

If the Participant ceases to be a bona fide employee of the Company due to death or Long-Term Disability during the Performance Period, the Participant (or the Participant's Beneficiary, if payment is made on account of the death of the Participant) shall be entitled to receive an Actual Award as calculated under Paragraph 6 above.



**c. Termination of Employment by Reason of Retirement.**

If the Participant ceases to be a bona fide employee of the Company due to Retirement prior to January 1 of the Performance Period, the Participant's interest in the Awards shall be forfeited and no amount shall be payable to the Participant with respect to service during the Performance Period.

If the Participant ceases to be a bona fide employee of the Company due to Retirement on or after January 1 of the Performance Period, the Participant shall be entitled to receive an Actual Award as calculated under Paragraph 6 above.

**d. Termination of Employment by Reason of Severance.**

If the Participant ceases to be a bona fide employee of the Company due to Severance prior to January 1 of the Performance Period, the Participant's interest in the Awards shall be forfeited and no amount shall be payable to the Participant with respect to service during the Performance Period.

If the Participant ceases to be a bona fide employee of the Company due to Severance on or after January 1 of the Performance Period, the Participant shall be entitled to receive an Actual Award as calculated under Paragraph 6 above.

**8. Data Privacy.**

By accepting the Award, the Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of his or her personal data as described in this document by and among, as applicable, the Participant's employer (the "Employer") and the Company for the exclusive purpose of implementing, administering and managing participation in the Plan.

The Participant understands that the Company and the Employer hold certain personal information about the Participant, including but not limited to his or her name, home address and telephone number, date of birth, social insurance or other identification number, salary, nationality, job title, any shares of Company stock or directorships held in the Company, details of all compensation or any other entitlement to Company-sponsored benefits for the purpose of implementing, administering and managing the Plan ("Data"). The Participant understands that Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in the Participant's country or elsewhere, such as in the United States of America, and that the recipient's country may have different data privacy laws and protections than the Participant's country. The Participant understands that he or she may request a list with the names and addresses of any potential recipients of the Data by contacting the local human resources representative. The Participant authorizes the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing participation in the Plan. The Participant understands that Data will be held only as long as is necessary to implement, administer and manage his or her participation in the Plan. The Participant understands that he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, without cost, by contacting in writing the local human resources representative. The Participant understands, however, that refusing or withdrawing consent may affect his or her ability to participate in the Plan. For more information on the consequences of refusal to consent or withdrawal of consent, the Participant understands that he or she may contact the local human resources representative.

**9. Governing Law.**

The law of the State of Delaware shall govern all question concerning the construction, validity and interpretation of the Plan and any Awards, without regard to the state's conflict of laws rules.

**10. Recoupment.**

The Participant acknowledges that any Award granted under the Plan shall be subject to the McKesson Corporation Financial Restatement Compensation Recoupment Policy, as amended from time to time, which is incorporated herein by reference.

## **11. Definitions.**

Capitalized terms shall have the same meaning as provided in the Plan. Additional capitalized text that is not included in the Plan, but is used in this Statement of Terms and Conditions, shall have the meaning set forth below:

- (a) “Actual Award” means the finally determined amount payable under the Plan for a Performance Period.
- (b) “Awards” means, collectively, Individual Target Awards and Actual Awards.
- (c) “Covered Compensation” means regular wages earned by and paid to the Participant during the Performance Period, including any Paid Time Off (PTO) pay. Covered Compensation does not include any other compensation received during the Performance Period, including, but not limited to, earnings received during a paid leave, overtime or commission pay.
- (d) “Long-Term Disability” means a physical or mental condition in respect of which the administrator of the Company’s long-term disability plan has determined that the Participant is eligible to receive income replacement benefits; or, if the Participant is not then a participant in the Company’s long-term disability plan, a physical or mental condition that the administrator of the Company’s long-term disability plan determines would have rendered the Participant eligible to receive income replacement benefits, had the Participant been enrolled in such plan.
- (e) “Retirement” means termination from the Company with age plus years of service equal to at least 65.
- (f) “Severance” means termination of employment with the Company and qualified for participation in and entitlement to benefits under the McKesson Corporation Severance Pay Plan or the Amended and Restated McKesson Corporation Severance Policy for Executive Employees, as applicable, in accordance with the terms and conditions of such plans. A Participant outside the United States who is not qualified for participation in and entitlement to the benefits under such plans will nonetheless be treated for the limited purposes of his or her Awards as terminated by reason of Severance to the extent his or her employment with the Company is terminated and he or she would satisfy the conditions for termination for reason of Severance but for the fact that such plan is only applicable to employees of the Company in the United States who qualify for participation in that plan.

**CERTIFICATION PURSUANT TO  
RULE 13a-14(a) AND RULE 15d-14(a) OF THE SECURITIES EXCHANGE ACT, AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Brian S. Tyler, certify that:

1. I have reviewed this quarterly report on Form 10-Q of McKesson Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2023

/s/ Brian S. Tyler

**Brian S. Tyler**

Chief Executive Officer

**CERTIFICATION PURSUANT TO  
RULE 13a-14(a) AND RULE 15d-14(a) OF THE SECURITIES EXCHANGE ACT, AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Britt J. Vitalone, certify that:

1. I have reviewed this quarterly report on Form 10-Q of McKesson Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2023

/s/ Britt J. Vitalone

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**Britt J. Vitalone**

Executive Vice President and Chief Financial Officer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of McKesson Corporation (the “Company”) on Form 10-Q for the quarterly period ended September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, in the capacities and on the dates indicated below, each hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of their knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Brian S. Tyler

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**Brian S. Tyler**

Chief Executive Officer

November 1, 2023

/s/ Britt J. Vitalone

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**Britt J. Vitalone**

Executive Vice President and Chief Financial Officer

November 1, 2023

This certification accompanies the Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002, and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 has been provided to McKesson Corporation and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.