

23rd June 2021

The Board of Directors
McKesson
6555 State Hwy 161
Irving, TX, 75039

Dear Members of the Board:

Talaria Capital manages AUD 450m in its long-only global equity fund. Over the last decade it has delivered compound annual returns of more than 10% with lower average market exposure than is usual.

We own almost 35,000 shares of McKesson and this exposure is effectively doubled in the options market through the sale of put options. Our holding is based on strengths including market position and competitive advantage, growth potential, balance sheet strength, excellent reporting standards, and outstanding management and governance.

Engagement

As part of our investment process, we consider various ESG factors. We believe that risks associated with ESG can, amongst others, affect profitability, cost of capital, and ultimately shareholder return. We also believe that these risks are growing as stakeholders become increasingly concerned with such issues.

Social

Although garnering less attention than environmental impact and sustainability, social factors are important when considering whether to invest in a share.

Noting there has been an obvious focus on opioids and related litigation in recent years, I would like to draw your attention to another issue on which McKesson can improve. Namely, McKesson's relationship with its suppliers.

In particular, I note that McKesson has very limited disclosures relating to supplier standards as they relate to labour rights and working conditions. It seems to me this is "low hanging fruit" that is relatively easy for McKesson to rectify. This would lead to a material benefit to your ESG rating. Even better would be procedures to ensure your suppliers are compliant with these standards.

I want to thank the Board for considering Talaria's thoughts on these matters and I look forward to hearing yours as well.

Yours sincerely,

Stuart Morgan
Senior Investment Analyst