



Pennsylvania Conference of Teamsters

Strength in Numbers 95,000

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LEGISLATIVE ACTION ALERT

Teamsters, state treasurers call for changes at McKesson in wake of opioid crisis

The labor union says drug distributors exist to safely distribute drugs, and that they failed to do so

Market Watch

BY: EMMA COURT – JULY 25, 2017

Link to read full article at: <http://www.marketwatch.com/story/teamsters-state-treasurers-call-for-changes-at-mckesson-in-wake-of-opioid-crisis-2017-07-25>

Amid America's national, intensifying opioid crisis, the International Brotherhood of Teamsters have a message for pharmaceutical middleman McKesson Corp. : you are part of the problem — and things have got to change. Among the corporate changes the labor union is calling for are independent board chairs, executive pay reforms and a special investigative committee to investigate the company's role in the opioid crisis.

The Teamsters plan to present their proposal at McKesson's **MCK, -0.24%** annual shareholder meeting on Wednesday, and to protest outside the meeting. The union has a sizeable stake in this fight: about \$30 million in pension and benefit funds invested in McKesson, the U.S.'s largest drug distributor and fifth-largest company, with nearly \$200 billion in revenue for fiscal 2017.

They also say the issue is personal. Much of its membership has been affected by the opioid crisis, which became clear at its Las Vegas convention last year. Teamster Secretary-Treasurer Ken Hall is also from West Virginia, which has the country's highest opioid overdose rate. On Monday, the Teamsters got support from

officials in West Virginia, Illinois and Pennsylvania, three of the states. Writing to McKesson's Lead Independent Director Edward Mueller, the state treasurers supported the Teamsters' request for an independent chairman, asked for executive pay changes and requested reports on the company's financial risk related to prescription opioid distribution and on America's prescription opioid problem more generally. "While the opioid epidemic has been brutal for millions of Americans, it has been very good to wholesalers of these drugs.

McKesson is now the fifth-largest corporation in America," said the letter, which was written by State Treasurer of West Virginia John Perdue, State Treasurer of Illinois Michael Frerichs and State Treasurer of Pennsylvania Joseph Torsella. "We believe the extent of the problem; McKesson's inadequate response to date; and McKesson's potential exposure to substantial litigation costs, damages awards, and a significantly less lenient regulatory environment require McKesson to also take these specific steps to mitigate public health risks and protect shareholder value," the letter said.

The mortality rate from opioid overdose more than tripled from 2000 to 2015.

The union has sent letters to and attended the shareholder meetings of both, according to Michael Pryce-Jones, the Teamsters' senior corporate governance analyst. The Teamsters aren't the only ones placing blame on this part of the pharmaceutical supply chain. Attorneys in West Virginia sued the three companies earlier this year on behalf of certain areas affected by the opioid epidemic. Earlier this year, after being accused by the Justice Department of not adhering to controlled substance regulations when it came to prescription painkillers, McKesson settled the suit and

agreed to \$150 million in fines. But why target drug distributors and not drugmakers? "There's an awful lot of blame to go around," Pryce-Jones said. Distributors' main job is to safely distribute drugs, he said: "The failings they were being accused of were vital to their core mission." And, because three drug distributors dominate the market, "as shareholders, you are uniquely exposed to legal and financial risks from any lawsuits or policy action," Pryce-Jones said.

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