Zoetis Inc.
Form DEF 14A
April 02, 2018
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

Zoetis Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

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

(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

Table of Contents

Zoetis Inc.

10 Sylvan Way

Parsippany, NJ 07054

NOTICE OF 2018 ANNUAL MEETING OF SHAREHOLDERS

WHEN

Tuesday, May 15, 2018

10:00 a.m. Eastern Time

WHERE

Hilton Short Hills

41 John F. Kennedy Parkway

Short Hills, New Jersey 07078

RECORD DATE

Close of Business on March 21, 2018

ITEMS OF BUSINESS

1. Election of Class II Directors until the 2021 Annual Meeting of Shareholders for a three-year term as set forth in this proxy statement

2. An advisory vote to approve the company s executive compensation (Say on Pay)

3. Ratification of the appointment of KPMG LLP as the company s independent registered public accounting firm for 2018

4. Such other business as may properly come before the Annual Meeting of Shareholders

HOW TO VOTE

Shareholders of record on the Record Date are entitled to vote in the following ways:

Call 1 (800) 652-8683 (toll free) in the United States or Canada	Visit www.envisionreports.com/zts	Return a properly completed, signed and dated proxy card	Attend the Annual Meeting of Shareholders in person and vote your shares

Sincerely yours,

Heidi C Chen

Executive Vice President,

General Counsel and Corporate Secretary

April 2, 2018

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2018 ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 15, 2018:

Zoetis Inc. s Proxy Statement and Annual Report on Form 10-K for the year ended December 31, 2017 are available online at www.edocumentview.com/ZTS. We are furnishing proxy materials to our shareholders primarily via Notice and Access delivery. On or about April 2, 2018, we mailed to our shareholders a notice of Internet availability of proxy materials. This notice contains instructions on how to access our Proxy Statement and 2017 Annual Report and vote online.

Table of Contents

TABLE OF CONTENTS

PROXY SUMMARY 1

2018 Annual Meeting 1

2017 Business Highlights 1

Meeting Agenda Items 2

CORPORATE GOVERNANCE AT ZOETIS 4

ITEM 1 ELECTION OF DIRECTORS 4

Information about Directors 5

Key Corporate Governance Features 12

Corporate Governance Principles and Practices 13

Compensation of Directors 18

EXECUTIVE COMPENSATION 21

ITEM 2 ADVISORY VOTE TO APPROVE OUR EXECUTIVE COMPENSATION (SAY ON PAY) 21

Compensation Discussion and Analysis 22
44

Report of the Compensation Committee

Executive Compensation Tables 45

Equity Compensation Plans 55

AUDIT COMMITTEE MATTERS **56**

ITEM 3 RATIFICATION OF APPOINTMENT OF KPMG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2018 56

KPMG Fees and Services 56

Policy on Pre-Approval of Audit Firm Services 57

Report of the Audit Committee 58

OWNERSHIP OF OUR COMMON STOCK **59**

Stock Ownership Tables 59

Section 16(a) Beneficial Ownership Reporting Compliance 60

TRANSACTIONS WITH RELATED PERSONS **61**

Policy Concerning Related Person Transactions 61

Related Person Transactions 61

INFORMATION ABOUT THE ANNUAL MEETING AND VOTING **62**

Annual Meeting Information 62

How to View Proxy Materials Online 62

How to Vote by Proxy 63

Revocation of Proxies 63

Voting at the Meeting 63

Quorum and Required Vote 64

Effect of Not Casting Your Vote 64

Cost of Proxy Solicitation 65

Availability of Voting Results 65

Questions 65

INFORMATION ABOUT SUBMITTING SHAREHOLDER PROPOSALS AND OUR 2019 ANNUAL MEETING **66**

As used in this proxy statement, the terms we , us , our , the company or Zoetis refer to Zoetis Inc.

ZOETIS 2018 PROXY STATEMENT

Table of Contents

PROXY SUMMARY

This summary highlights certain information in this proxy statement. As it is only a summary, please review the complete Zoetis Inc. Proxy Statement and 2017 Annual Report before you vote.

2018 ANNUAL MEETING

Time and Date	Tuesday, May 15, 2018, at 10:00 a.m. EDT
Place	Hilton Short Hills 41 John F. Kennedy Parkway Short Hills, New Jersey 07078
Record Date	Close of business on March 21, 2018
Voting	Shareholders on the record date are entitled to one vote per share on each matter to be voted upon at the Annual Meeting.
Admission	We do not require tickets for admission to the meeting, but we do limit attendance to shareholders on the record date or their proxy holders. Please bring proof of your common share ownership, such as a current brokerage statement, and photo identification.

2017 BUSINESS HIGHLIGHTS

In 2017, our leadership team once again drove strong operating performance based on the three interconnected capabilities that have been critical to our success since becoming a public company: direct customer relationships, innovative research and development, and high-quality manufacturing and supply. We continued to deliver on our value proposition of growing revenue faster than the market and growing our adjusted net income faster than revenue; targeting key investment opportunities for growth; and returning excess capital to our shareholders.

[1] *Operational revenue growth (a non-GAAP financial measure) is defined as revenue growth excluding the impact of foreign exchange. Page 43 of our 2017 Annual Report on Form 10-K, filed with the SEC on February 15, 2018, contains a reconciliation of this non-GAAP financial measure to reported results under GAAP for 2017.*

[2] *Adjusted net income and adjusted diluted EPS (non-GAAP financial measures) are defined as reported net income attributable to Zoetis and reported diluted EPS, excluding purchase accounting adjustments, acquisition-related costs and certain significant items such as costs associated with implementing organizational changes resulting from our Business Review and costs associated with becoming an independent public company. Pages 45 to 50 of our 2017 Annual Report on Form 10-K, filed with the SEC on February 15, 2018, contain a reconciliation of these non-GAAP financial measures to reported results under GAAP for 2017.*

Table of Contents

PROXY SUMMARY

MEETING AGENDA ITEMS

ITEM 1 **ELECTION OF DIRECTORS**

You are being asked to elect 4 directors Sanjay Khosla, Willie M. Reed, Linda Rhodes and William C. Steere, Jr. to hold office until the 2021 Annual Meeting of Shareholders and until their respective successors are duly elected and qualified, or until their earlier death, resignation or removal.

SUMMARY INFORMATION ABOUT OUR DIRECTOR NOMINEES AND CONTINUING DIRECTORS

Additional information about our director nominees and continuing directors can be found under Information About Directors on pages 5 to 11.

	Juan Ramón Alaix	**Paul M. Bisaro**	**Frank A. D Amelio**	**Sanjay Khosla**	**Michael B. McCallister**	**Gregory Norden**	**Louise M. Parent**	**Willie M. Reed**	**Linda Rhodes**	**Robert W. Scully**	**William Steere, J**
perience, Skills, Expertise											
ademia											
imal Health											
nsumer oducts											
obal sinesses											

fe Sciences

anufacturing &
pply

arketing &
les

ergers &
quisitions

her Public
mpany Board
ember

blic Company
EO
blic Company
FO or Finance
d Accounting

blic Company
C,
mpliance, or
rporate
vernance

gulated
dustries

search &
velopment

emographic Background

ard Tenure

ll Years

	5	2	5	4	5	5	4	4	<1	4	5
e											
ears Old											
	66	57	60	66	65	60	67	63	68	68	81
nder											
ale											
	M	M	M	M	M	M		M		M	M
male							F		F		
GBTQ (optional reporting)											
entify as GBTQ											
ce, Ethnicity (optional reporting)											
rican merican/ Black											
ian, Hawaiian Pacific ander											
hite/Caucasian											
spanic/Latino											
tive American											
her											

d not wish to
entify

Director Nominee Continuing Director

ITEM 1 RECOMMENDATION: OUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF MR. KHOSLA, DR. REED, DR. RHODES AND MR. STEERE

Table of Contents

ITEM 2

ADVISORY VOTE TO APPROVE OUR EXECUTIVE COMPENSATION (SAY ON PAY)

You are being asked to approve, on an advisory basis, our executive officer compensation program as described in the Compensation Discussion and Analysis and the Executive Compensation Tables and accompanying narrative disclosure, as provided on pages 22 to 54 of this proxy statement. We believe that our program incentivizes and rewards our leadership for increasing shareholder value and aligns the interests of our leadership with those of our shareholders on an annual and long-term basis. Among the Compensation Committee s compensation-related actions in 2017, the Committee revised the cash-based metric under our Annual Incentive Plan (AIP). The Committee reviewed the cash-based metric (weighted 20%, with revenue and adjusted diluted EPS each comprising 40%) used to determine 2016 AIP payouts and approved a change to the use of free cash flow beginning in 2017. In 2016, the cash-based metric was defined as our adjusted net income plus depreciation, amortization and stock-based compensation within adjusted income, minus capital expenditures and certain one-time cash costs (after taxes), plus or minus foreign exchange impacts and changes in accounts receivable, inventories and accounts payable. Free cash flow is defined as U.S. GAAP operating cash flow, minus capital expenditures (adjusted to exclude the impact of extraordinary, one-time events, if any). As free cash flow is a widely used capital management metric, this update was made to bring greater consistency to financial performance evaluation and foster increased transparency for employees and shareholders.

ITEM 2 RECOMMENDATION: OUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE APPROVAL OF OUR EXECUTIVE COMPENSATION.

ITEM 3

RATIFICATION OF APPOINTMENT OF KPMG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2018

You are being asked to ratify our Audit Committee s appointment of KPMG LLP (KPMG) as our independent registered public accounting firm for 2018. KPMG has been our auditor since 2013.

The fees paid to KPMG are detailed on page 56.

One or more representatives of KPMG will be present at the Annual Meeting. They will be given the opportunity to make a statement if they desire to do so, and they will be available to respond to appropriate questions.

ITEM 3 RECOMMENDATION: OUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF KPMG AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2018.

Table of Contents

CORPORATE GOVERNANCE AT ZOETIS

ITEM 1

ELECTION OF DIRECTORS

Our Board of Directors currently consists of eleven directors divided into three classes. The directors hold office for staggered terms of three years (and until their successors are elected and qualified, or until their earlier death, resignation or removal). One of the three classes is elected each year to succeed the directors whose terms are expiring.

The directors in Class II, whose terms expire at the 2018 Annual Meeting of Shareholders, are Sanjay Khosla, Willie M. Reed, Linda Rhodes and William C. Steere, Jr. Each of these directors has been nominated by the Board of Directors, upon the recommendation of its Corporate Governance Committee, to stand for election for a term expiring at the 2021 Annual Meeting of Shareholders. Each of these nominees has consented to being named in this proxy statement as a Board nominee and to serve if elected.

The Corporate Governance Committee considers a number of factors and principles in determining the slate of director nominees for election to the company s Board, as discussed in the section titled Director Nominations below. The Corporate Governance Committee and the Board have evaluated each of Mr. Khosla, Dr. Reed, Dr. Rhodes and Mr. Steere against the factors and principles Zoetis uses to select nominees for director. Based on this evaluation, the Corporate Governance Committee and the Board have concluded that it is in the best interests of Zoetis and its shareholders for each of Mr. Khosla, Dr. Reed, Dr. Rhodes and Mr. Steere to continue to serve as a director of Zoetis.

Our Board has appointed Heidi C. Chen and Katherine H. Walden as proxies to vote your shares on your behalf. The proxies intend to vote for the election of Mr. Khosla, Dr. Reed, Dr. Rhodes and Mr. Steere unless you indicate otherwise on your proxy card, voting instruction form or when you vote by telephone or online. Each candidate has consented to being named in this proxy statement and serving as a director if elected. However, if any nominee is not able to serve, the Board can either designate a substitute nominee to serve in his or her place as a director or reduce the size of the Board. If the Board nominates another individual, the persons named as proxies may vote for such substitute nominee.

In order to be elected, a nominee must receive more votes cast For than Against his or her election. Abstentions and broker non-votes will have no effect on the outcome of the vote. See Corporate Governance Principles and Practices Majority Voting Standard for Director Elections for more information about our procedures if a nominee fails

to receive a majority of the votes in an uncontested election.

Our Board of Directors recommends that you vote on your proxy card or voting instruction form For the election of each of the Board s nominees for election Sanjay Khosla, Willie M. Reed, Linda Rhodes and William C. Steere, Jr. to serve as directors of Zoetis until our 2021 Annual Meeting and until their successors are elected and qualified, or until their earlier death, resignation or removal. The Board believes that these four nominees have a strong track record of being responsible stewards of shareholders interests and of bringing extraordinarily valuable insight, perspective and expertise to the Board. In each individual s biography set forth on pages 6 and 7, we have highlighted specific experience, qualifications and skills that led the Board to conclude that each individual should continue to serve as a director of Zoetis.

ITEM 1
RECOMMENDATION: OUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF MR. KHOSLA, DR. REED, DR. RHODES AND MR. STEERE AS DIRECTORS.

Table of Contents

CORPORATE GOVERNANCE AT ZOETIS

INFORMATION ABOUT DIRECTORS

OUR DIRECTORS

The following table sets forth certain information regarding the director nominees and the directors of the company whose terms will continue after the 2018 Annual Meeting of Shareholders.

Name	Age[1]	Position(s) with the Company	Term Expires
Juan Ramón Alaix	66	Chief Executive Officer and Director	2019
Paul M. Bisaro*	57	Director	2019
Frank A. D Amelio*	60	Director	2019

Sanjay Khosla*	66	Director	2018[(2)]
Michael B. McCallister*	65	Non-Executive Chairman of the Board and Director	2019
Gregory Norden*	60	Director	2020
Louise M. Parent*	67	Director	2020
Willie M. Reed*	63	Director	2018[(2)]

Linda Rhodes*	68	Director	2018[(2)]
Robert W. Scully*	68	Director	2020
William C. Steere, Jr.*	81	Director	2018[(2)]

* Independent Director

(1) As of April 2, 2018.

(2) Nominee for re-election at the 2018 Annual Meeting for a term expiring in 2021.

Table of Contents

CORPORATE GOVERNANCE AT ZOETIS

OUR DIRECTOR NOMINEES

SANJAY KHOSLA

Age 66

Director since June 2013

Specific qualifications, experience, skills and expertise:

- International business and management experience
- Global operational experience, including in developing markets
- Experience in animal health industry
- Public company director experience

Former Executive Vice President and President, Developing Markets of Mondelēz International from 2007 to 2013. Mr. Khosla brings more than 35 years of international business experience from his career with food, beverage and consumer product leaders such as Mondelēz, Kraft and Unilever, where he managed various business units, particularly in developing markets. As President, Kraft Foods, Developing Markets (now Mondelēz International) from 2007 to 2013, Mr. Khosla transformed the $5 billion business into a $16 billion business, while significantly improving profitability. He also has animal health experience from his three-year tenure from 2004 to 2007 as Managing Director of Fonterra Brands and Food Service, a multinational dairy cooperative based in New Zealand. Mr. Khosla serves on the board of Iconix Brand Group, Inc., a company that licenses and markets a portfolio of consumer brands. From October 2008 until June 2015, he served on the board of Best Buy, Inc., a specialty retailer of consumer electronics, personal computers, entertainment software and appliances, and from 2002 to 2017, he served on the board of NIIT, Ltd., a company involved in technology-related educational services. Mr. Khosla holds a bachelor s degree in electrical engineering from the Indian Institute of Technology in New Delhi. Mr. Khosla also completed the Advance Management Program at Harvard Business School. Mr. Khosla is currently a senior fellow and adjunct professor at the Kellogg School of Management, Northwestern University and a Senior Advisor for the Boston Consulting Group. Mr. Khosla is also CEO of Bunnik LLC, a management consulting firm. Mr. Khosla s international business and management experience, along with his public company board experience, make him a valuable member of our Board.

WILLIE M. REED

Age 63

Director since March 2014

Specific qualifications, experience, skills and expertise:

Doctorate in veterinary medicine and pathology

Avian pathology, diagnostic medicine and infectious diseases expert

Expertise in veterinary medicines and vaccines

Thought leadership in the animal health community

Senior management experience

Dean of the College of Veterinary Medicine at Purdue University since 2007. Dr. Reed has more than 30 years of experience in animal health and veterinary medicine, gained during his tenure at Purdue University and Michigan State University, and as a Diplomate of the American College of Veterinary Pathologists and Charter Diplomate of the American College of Poultry Veterinarians. Dr. Reed has served as President of the Association of American Veterinary Medical Colleges, President of the American Association of Veterinary Laboratory Diagnosticians, President of the American Association of Avian Pathologists and Chair of the American Veterinary Medical Association Council on Research. He has served on a number of committees for the National Institutes of Health and the United States Department of Agriculture. Dr. Reed has a Doctor of Veterinary Medicine degree from Tuskegee University, and a Ph.D. in Veterinary Pathology from Purdue University. Dr. Reed s medical expertise, his expertise in veterinary medicines and vaccines and his thought leadership in the animal health community make him a valuable member of our Board.

Table of Contents

LINDA RHODES

Age 68

Director since August 2017

Specific qualifications, experience, skills and expertise:

Broad animal health industry experience, including as CEO of animal health start-up company and founder of an animal health contract research organization

Experience in private veterinary practice

Doctorate in veterinary medicine

Public company director experience

Former Chief Scientific Officer of Aratana Therapeutics from 2012 to 2016 and served as Chief Executive Officer and Board member from 2011 to 2012. Dr. Rhodes has extensive experience as a research scientist, academic, veterinary practitioner and business leader, spanning nearly 30 years across the animal health industry. She is a founder of AlcheraBio, LLC, a veterinary contract research organization, and held various research positions with Merial, Merck and Company, and Sterling-Winthrop Drug Company. Dr. Rhodes also held several teaching positions and worked as a bovine veterinarian in private practice for many years. Dr. Rhodes served as a member of the Board of Directors of ImmuCell Corporation from 2005 until 2017. She is currently an adjunct faculty member of the Graduate Program in Endocrinology and Animal Biosciences at Rutgers University in New Brunswick, New Jersey. She serves on the Scientific Advisory Board of the Found Animals Foundation and on the Board of Directors of the Alliance for Contraception in Cats and Dogs. Dr. Rhodes earned her Ph.D. in Physiology from Cornell University and her V.M.D. from the University of Pennsylvania. Dr. Rhodes experience as a research scientist, academic, veterinary practitioner, entrepreneur and business leader, her public company board experience and her knowledge of the animal health business make her a valuable member of our Board.

WILLIAM C. STEERE, JR.	**Specific qualifications, experience, skills and expertise:**
Age 81 Director since January 2013	Senior management experience, including as former CEO of Pfizer Knowledge of animal health business Global business experience Public company director experience

Chairman Emeritus of Pfizer, a global biopharmaceutical company, since July 2001. Mr. Steere joined Pfizer in 1959 and held various positions, including Chief Executive Officer from 1991 until 2000, Chairman of the board of directors from 1992 until 2001, and member of the board of directors until 2011. Mr. Steere also served on the boards of Dow Jones & Company, Inc. until 2007, MetLife, Inc. until 2010 and Health Management Associates, Inc. until 2014. Mr. Steere s business and senior management experience, his public company board experience and his knowledge of the animal health business obtained through his service with Pfizer make him a valuable member of our Board.

Table of Contents

CORPORATE GOVERNANCE AT ZOETIS

CONTINUING DIRECTORS

JUAN RAMÓN ALAIX

Age 66

Director since July 2012

Specific qualifications, experience, skills and expertise:

Knowledge and leadership of our company as its current CEO and former President of Pfizer Animal Health

Experience in animal health industry

Global business experience

Background in economics

Chief Executive Officer of our company since July 2012. From 2006 to 2012, Mr. Alaix served as President of Pfizer Animal Health, and was responsible for its overall strategic direction and financial performance. Under his leadership, the company grew to become a $4.3 billion enterprise in 2012. Mr. Alaix has more than 35 years experience in finance and management, including 20 years in the human pharmaceutical industry. He joined Pfizer in 2003 and held various positions, including Regional President of Central/Southern Europe for Pfizer s pharmaceutical business. Prior to that, Mr. Alaix held various positions with Pharmacia, including as Country President of Spain, from 1998 until Pharmacia s acquisition by Pfizer in 2003. Earlier in his career he served in general management with Rhône-Poulenc Rorer in Spain and Belgium. In 2013, Mr. Alaix completed a two-year term as President of the International Federation for Animal Health (IFAH), now known as HealthforAnimals, and he continues to serve as a member of its board and executive committee. HealthforAnimals represents manufacturers of veterinary medicines, vaccines and other animal health products in both developed and emerging markets. A native of Spain, Mr. Alaix received a graduate degree in economics from the Universidad de Madrid. Mr. Alaix experience, including his knowledge and leadership of our company, his business and management experience and his experience in the animal health industry make him a valuable member of our Board.

PAUL M. BISARO

Age 57

Director since May 2015

Specific qualifications, experience, skills and expertise:

Senior management experience, including as former CEO of Actavis plc

Experience in global healthcare and pharmaceutical industries

Expertise in mergers and acquisitions

Public company director experience

President and Chief Executive Officer of Impax Laboratories, a specialty pharmaceutical company, since March 2017. Mr. Bisaro was the Executive Chairman of the board of directors of Allergan plc (formerly Actavis plc) from July 2014 to October 2016. Until June 2014, Mr. Bisaro served as Board Chairman, President and Chief Executive Officer of Actavis, a global pharmaceutical company, (formerly Watson Pharmaceuticals). He was appointed President, Chief Executive Officer and a member of the board of Watson Pharmaceuticals in September 2007; and was later appointed Chairman of the board of Watson Pharmaceuticals in October 2013. Prior to joining Watson, Mr. Bisaro was President, Chief Operating Officer and a member of the board of Barr Pharmaceuticals, Inc., a global specialty pharmaceutical company, from 1999 to 2007. Between 1992 and 1999, Mr. Bisaro served as General Counsel of Barr, and from 1997 to 1999 served in various additional capacities including Senior Vice President Strategic Business Development. Prior to joining Barr, Mr. Bisaro was associated with the law firm Winston & Strawn and a predecessor firm, Bishop, Cook, Purcell and Reynolds from 1989 to 1992. Mr. Bisaro currently serves on the board of directors of Allergan plc and Impax Laboratories, and on the Board of Visitors of The Catholic University of America s Columbus School of Law. Mr. Bisaro previously served on the board of Zimmer Biomet Holdings, Inc., a world leader in musculoskeletal health solutions, from 2013 to 2017. Mr. Bisaro holds an undergraduate degree in General Studies from the University of Michigan and a Juris Doctor from The Catholic University of America in Washington, D.C. Mr. Bisaro s business, management and leadership experience, his understanding of the pharmaceutical industry, and his public company board experience make him a valuable member of our Board.

Table of Contents

CORPORATE GOVERNANCE AT ZOETIS

FRANK A. D AMELIO

Age 60

Director since July 2012

Specific qualifications, experience, skills and expertise:

Senior management experience

Experience in finance and accounting

Expertise in mergers and acquisitions

Global business experience

Public company director experience

Executive Vice President, Business Operations, and Chief Financial Officer of Pfizer, a global pharmaceutical company, since December 2010, where he serves as a member of Pfizer s Senior Executive Leadership Team. Mr. D Amelio joined Pfizer in September 2007 and held various positions, including Senior Vice President and Chief Financial Officer. From November 2006 to August 2007, Mr. D Amelio held the position of Senior Executive Vice President of Integration and Chief Administrative Officer at Alcatel-Lucent, S.A., a global telecommunications equipment company. Prior to the merger of Alcatel and Lucent Technologies in 2006, Mr. D Amelio was the Chief Operating Officer of Lucent Technologies, responsible for leading business operations, including sales, the product groups, the services business, the supply chain, information technology operations, human resources and labor relations. In 2001, he was appointed Executive Vice President and Chief Financial Officer of Lucent and in 2004 was promoted to be Executive Vice President, Chief Administrative Officer and Chief Financial Officer and helped lead the company through one of the most challenging periods in the telecom industry s history and returned the company to profitability. In this role, Mr. D Amelio was responsible for management and oversight of all financial, accounting, real estate and labor relations operations and the operational aspects of the legal and human resources organizations. Mr. D Amelio currently serves as a member of the board of Humana Inc., a health care company that offers a wide

range of insurance products and health and welfare services, and as chair of its audit committee. He also serves on the board of the Independent College Fund of New Jersey, and formerly served as a member of the National Advisory Board of JPMorgan Chase & Co. Mr. D Amelio earned his MBA in Finance from St. John s University and his bachelor s degree in Accounting from St. Peter s College. Mr. D Amelio s senior management experience and finance expertise, along with his public company board experience, make him a valuable member of our Board.

MICHAEL B. MCCALLISTER	**Specific qualifications, experience, skills and expertise:**
Age 65 Director since January 2013; Board Chair since June 2013	Senior management experience, including as former CEO of Humana Accounting background Corporate governance experience Public company director experience

Former Chairman of the Board and CEO of Humana Inc. from 2010 to 2013. Humana is a health care company that offers a wide range of insurance products and health and welfare services. Mr. McCallister joined Humana in 1974, and was its Chief Executive Officer from February 2000 until his retirement on December 31, 2012. During his tenure as CEO, Humana gained a reputation as one of the industry s leading people-focused innovative companies, leveraging products, processes and technology to help individuals take control of their own health. Mr. McCallister served for many years on the board of the Business Roundtable and is past Chairman of its Health and Retirement Task Force. He is currently on the boards of AT&T, where he serves on the audit committee, and Fifth Third Bank. Mr. McCallister holds a bachelor s degree in accounting from Louisiana Tech University and an MBA from Pepperdine University. Mr. McCallister s senior management experience in the health care industry, along with his public company board experience, make him a valuable member of our Board.

Table of Contents

CORPORATE GOVERNANCE AT ZOETIS

GREGORY NORDEN	**Specific qualifications, experience, skills and expertise:**
Age 60 Director since January 2013	Corporate finance experience, including as former Chief Financial Officer of Wyeth Experience in global healthcare and pharmaceutical industries Background in accounting as an audit manager at a major accounting firm Public company director experience

Former Chief Financial Officer of Wyeth. Prior to his role as Chief Financial Officer of Wyeth, Mr. Norden held various senior positions with Wyeth Pharmaceuticals and American Home Products. Prior to his affiliation with Wyeth, Mr. Norden served as Audit Manager at Arthur Andersen & Co. Mr. Norden currently serves on the boards of Entasis Therapeutics, a leader in the discovery and development of breakthrough anti-infective products; NanoString Technologies, a provider of life science tools for translational research and development of molecular diagnostic products; Royalty Pharma, a leader in the acquisition of revenue-producing intellectual property; and Univision, the leading media company serving Hispanic America. Mr. Norden is a former director of Welch Allyn, where he served until 2015; Lumara Health, where he served until 2014; and Human Genome Sciences, Inc., where he served until 2012. In addition, Mr. Norden is the Managing Director of G9 Capital Group LLC, which invests in early stage ventures and provides corporate finance advisory services. Mr. Norden s background in finance and experience as a senior executive in the global healthcare and pharmaceutical industries, along with his public company board experience, make him a valuable member of our Board.

LOUISE M. PARENT

Age 67

Director since August 2013

Specific qualifications, experience, skills and expertise:

Experience in corporate governance and board matters

Compliance and risk management experience

Operations and senior management experience as former General Counsel and executive of American Express

Global business experience

Legal background

Former Executive Vice President and General Counsel of American Express Company, a global services company that provides charge and credit card products and travel-related services, from 2003 to 2013. Since early 2014, Ms. Parent has served as Of Counsel at the law firm of Cleary Gottlieb Steen & Hamilton LLP. Ms. Parent brings deep experience in corporate governance and board matters, and in compliance and risk management, gained during her tenure with American Express, where she worked extensively with the Audit, Compensation and Nomination and Governance committees in her role as General Counsel. Ms. Parent also served on the operating committee and global management team of American Express from 2003 through 2013 and was a member of the board of American Express Centurion Bank through 2013. Ms. Parent currently serves on the Supervisory Board of Deutsche Bank AG and on the board of Fidelity National Information Services Inc., a global financial services technology company. Ms. Parent holds a bachelor s degree from Smith College and a law degree from Georgetown University Law Center. Ms. Parent s experience in corporate governance, compliance, risk management and global management makes her a valuable member of our Board.

Table of Contents

CORPORATE GOVERNANCE AT ZOETIS

ROBERT W. SCULLY

Age 68

Director since June 2013

Specific qualifications, experience, skills and expertise:

Experience in financial services

Mergers and acquisitions expertise

Global management experience

Public company director experience

Public company experience in risk management, audit and financial reporting

Former member of the Office of the Chairman of Morgan Stanley. Mr. Scully has nearly 35 years of experience in the financial services industry. He served as a member of the Office of the Chairman of Morgan Stanley from 2007 until his retirement in January 2009, where he had previously been Co-President of the firm, Chairman of global capital markets and Vice Chairman of investment banking. Prior to joining Morgan Stanley in 1996, he served as a Managing Director at Lehman Brothers and at Salomon Brothers Inc. He currently serves on the boards of KKR & Co. LP, a private equity and asset management firm, Chubb Limited (formerly ACE Limited), a global property and casualty company, and UBS Group AG, a global financial services company. Previously, he served as a director of Bank of America Corporation, GMAC Financial Services and MSCI Inc. and as a Public Governor of FINRA, Inc., the Financial Industry Regulatory Authority. Mr. Scully holds a bachelor s degree from Princeton University and an MBA from Harvard Business School, where he currently serves on its Board of Dean s Advisors. Mr. Scully s global management experience, financial acumen, business development knowledge and investor insights, along with his public company board experience, make him a valuable member of our Board.

Table of Contents

CORPORATE GOVERNANCE AT ZOETIS

KEY CORPORATE GOVERNANCE FEATURES

Topic	Zoetis Key Corporate Governance Feature
Board Independence and Expertise	All directors are independent other than our CEO
	Board consists of highly qualified, experienced and diverse directors with relevant expertise for overseeing our strategy and business
Independent Board Chair	Board Chair is an independent director and is elected by Board annually
Board Committees	Four Board committees: Audit, Compensation, Corporate Governance and Quality and Innovation
	All four committees are composed entirely of independent directors

Executive Sessions	Directors hold regularly scheduled executive sessions, at which directors can discuss matters without management present Independent Board Chair presides over all executive sessions of the Board
Board Oversight of Risk	Risk oversight by full Board and committees
Proxy Access	Proactively adopted a proxy access right for shareholders
Board Oversight of Management Succession	Board regularly reviews and discusses succession plans for CEO and other key executives
Board Self-Evaluation	Our Board and each of its committees conduct an annual self-evaluation

Accountability	In uncontested director elections, our directors are elected by a majority of the votes cast
	Each share of common stock is entitled to one vote
	Processes in place to facilitate communication with shareholders and other stakeholders
	Ongoing communication between our Board (including the Board Chair and committee chairs) and management
	Anti-hedging and anti-pledging policies covering directors and employees
	Claw-back policy covering incentive compensation paid to executives
Director Stock Ownership	Each non-employee director is required to hold Zoetis stock worth at least USD $400,000 (including share equivalent units), to be acquired within five years of joining our Board
Open Lines of Communication	Board promotes open and frank discussions with senior management

	Our directors have access to all members of management and other employees and are authorized to hire outside consultants or experts at the company s expense
Board Refreshment	Led by the Corporate Governance Committee, the Board regularly reviews the Board s composition
Director Orientation and Continuing Education	Comprehensive orientation for new directors In-house presentations, third-party courses and field trips for directors

Table of Contents

CORPORATE GOVERNANCE AT ZOETIS

CORPORATE GOVERNANCE PRINCIPLES AND PRACTICES

DIRECTOR INDEPENDENCE

It is the policy of our company, and a requirement under New York Stock Exchange (NYSE) listing standards, that a majority of our Board consists of independent directors. To assist it in determining director independence, our Board has adopted categorical independence standards, referred to as our Director Qualification Standards, which meet the independence requirements of the NYSE. Our Director Qualification Standards can be found on our website at www.zoetis.com under *About Us Corporate Governance*.

To be considered independent under our Director Qualification Standards, a director must be determined by our Board to have no material relationship with the company other than as a director. In addition, under our Director Qualification Standards, a director is not independent if the director is, or has been within the last three years, an employee of the company or an employee of a member of the company s consolidated group for financial reporting.

From January 1, 2017 through August 2, 2017, our Board of Directors consisted of ten directors, nine of whom were determined by our Board to be independent under our Director Qualification Standards and one of whom was not independent under those standards. The independent directors during this period were Paul M. Bisaro, Frank A. D Amelio, Sanjay Khosla, Michael B. McCallister, Gregory Norden, Louise M. Parent, Willie M. Reed, Robert W. Scully and William C. Steere, Jr. The only non-independent director in 2017 was Juan Ramón Alaix, who is not an independent director because he is employed as the company s CEO.

On August 3, 2017, Linda Rhodes was elected to our Board. Prior to her election, our Board determined that Dr. Rhodes is independent under our Director Qualification Standards.

On February 13, 2018, our Board completed its annual review of director independence and affirmatively determined that Ms. Parent, Dr. Reed, Dr. Rhodes, and Messrs. Bisaro, D Amelio, Khosla, McCallister, Norden, Scully and Steere are independent under NYSE listing standards and our Director Qualification Standards.

BOARD LEADERSHIP STRUCTURE

Our Corporate Governance Principles, which can be found on our website at www.zoetis.com under *About Us Corporate Governance*, provide the Board flexibility in determining its leadership structure. Currently, Juan Ramón Alaix serves as our CEO and Michael B. McCallister serves as Chair of our Board. The Board believes that this leadership structure, which separates the CEO and the Board Chair roles, is optimal at this time because it allows Mr. Alaix to focus on operating and managing our company, while Mr. McCallister can focus on the leadership of the Board. The Board Chair presides over all meetings of our shareholders and of the Board as a whole, including its executive sessions, and performs such other duties as may be designated in our By-laws or by the Board. The Board periodically evaluates our leadership structure and will determine whether continuing the separate roles of CEO and Board Chair is in the best interest of the company and its shareholders based on circumstances existing at the time.

DIRECTOR ATTENDANCE

During 2017, our Board met five times. Each of our directors attended at least 75% of the meetings of the Board and Board committees on which he or she served during 2017. All Board members are expected to attend our Annual Meeting unless an emergency prevents them from doing so. All of our directors attended our 2017 Annual Meeting.

Table of Contents

CORPORATE GOVERNANCE AT ZOETIS

BOARD COMMITTEE MEMBERSHIP

Our Board has a standing Audit Committee, Compensation Committee, Corporate Governance Committee and Quality and Innovation Committee. The written charter of each of our standing committees is available on our website at www.zoetis.com under *About Us Corporate Governance*. Each committee has the authority to hire outside advisors at the company s expense. All of the members of each of our committees are independent under NYSE listing standards and our Director Qualification Standards, and the members of our Audit Committee and Compensation Committee satisfy the additional NYSE independence requirements for members of audit and compensation committees.

The following table lists the Chair and current members of each committee and the number of meetings held in 2017.

		Committee			
Name	**Independent**	**Audit**	**Compensation**	**Corporate Governance**	**Quality and Innovation**
Juan Ramón Alaix	no				
Paul M. Bisaro	yes				
Frank A. D Amelio	yes				
Sanjay Khosla	yes				
Michael B. McCallister	yes				

Gregory Norden	yes				
Louise M. Parent	yes				
Willie M. Reed	yes				
Linda Rhodes	yes				
Robert W. Scully	yes				
William C. Steere, Jr.	yes				
Number of Meetings in 2017		8	6	4	5

Chair **Member**

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The current members of the Compensation Committee are Robert W. Scully (Chair), Paul M. Bisaro, Sanjay Khosla, Gregory Norden and Louise M. Parent. All of the current members are independent under NYSE listing standards and our Director Qualification Standards. None of the current members is a former or current officer or employee of Zoetis or any of its subsidiaries. None of the current members has any relationship that is required to be disclosed under this caption under the rules of the SEC. During 2017, no executive officers of the company served on the compensation committee (or its equivalent) or board of directors of another entity whose executive officer served on the company s Compensation Committee or Board.

Table of Contents

PRIMARY RESPONSIBILITIES OF BOARD COMMITTEES

Board Committees	Responsibilities
AUDIT COMMITTEE ***All Members Independent*** ***All Members Financially Literate*** *Each of Mr. Norden and Mr. Scully qualifies as an audit committee financial expert*	Oversees of the integrity of our financial statements and system of internal controls Sole authority and responsibility to select, determine the compensation of, evaluate and, when appropriate, replace our independent public accounting firm Oversees the performance of our internal audit function Reviews reports from management, legal counsel and third parties (including our independent public accounting firm) relating to the status of our compliance with laws, regulations and internal procedures Oversees our Enterprise Risk Management process
COMPENSATION COMMITTEE ***All Members Independent***	Responsible for approving our overall compensation philosophy

	Oversees our compensation and benefit programs, policies and practices and manages the related risks
	Annually establishes the corporate goals and objectives relevant to the compensation of our CEO, reviews the goals established by our CEO for our other executive officers and evaluates their performance in light of these goals
	Recommends to the Board the compensation of our CEO and approves the compensation of our other executive officers
	Administers our incentive and equity-based compensation plans
CORPORATE GOVERNANCE COMMITTEE	Responsible for the company s corporate governance practices, policies and procedures
All Members Independent	Identifies and recommends candidates for election to our Board; recommends members and chairs of Board committees
	Advises on and recommends director compensation for approval by the Board
	Administers our policies and procedures regarding related person transactions
QUALITY AND INNOVATION COMMITTEE	Evaluates our strategy, activities, results and investment in research and development and innovation
All Members Independent	

	Oversees compliance with processes and internal controls relating to our manufacturing quality and environmental, health and safety (EHS) programs; reviews organizational structures and qualifications of key personnel in our supply chain, manufacturing quality and EHS functions

BOARD S ROLE IN RISK OVERSIGHT

The Board of Directors as a whole and through its committees oversees the company s risk management. Management provides regular reports to the Board on the areas of material risk to the company, and the Board discusses with management the company s major and emerging risks, including operational, technology, privacy, data and physical security, disaster recovery, legal and regulatory risks. In addition, the Board regularly reviews the company s strategy, finances, operations, legal and regulatory developments, research and development, manufacturing quality and competitive environment, as well as the risks related to these areas.

The Audit Committee oversees our Enterprise Risk Management process, the management of risks related to financial reporting, and the annual internal audit risk assessment, which identifies and prioritizes risks related to the company s internal controls in order to develop internal audit plans for future fiscal years. The Compensation Committee oversees the management of risks relating to our compensation plans and arrangements. The Corporate Governance Committee oversees risks associated with potential conflicts of interest and the management of risks associated with the independence of the Board, as well as the effectiveness of our Corporate Governance Principles and the Board s compliance with our Code of Business Conduct and Ethics. The Quality and Innovation Committee oversees risks related to manufacturing quality and environmental, health and safety matters and our strategy and investments in research

Table of Contents

CORPORATE GOVERNANCE AT ZOETIS

and development and innovation initiatives. Each committee of the Board provides periodic reports to the full Board regarding their areas of responsibility and oversight. We believe that our Board s active role in risk oversight supports our efforts to manage areas of material risk to the company.

BOARD S ROLE IN CEO AND MANAGEMENT SUCCESSION

Our Board is responsible for planning for succession to the position of CEO as well as other senior management positions. Our Board works together with the CEO to review annual assessments of senior management and other persons considered potential successors to certain senior management positions.

MAJORITY VOTING STANDARD FOR DIRECTOR ELECTIONS

Our By-laws contain a majority voting standard for all uncontested director elections. Under this standard, a director is elected only if the votes cast for his or her election exceed the votes cast against his or her election. Our Corporate Governance Principles provide that every nominee for director is required to agree to tender his or her resignation if he or she fails to receive the required majority vote in an uncontested director election. Our Corporate Governance Committee will recommend, and our Board of Directors will determine, whether or not to accept such resignation. The Board will then publicly disclose its decision-making process and the reasons for its decision.

In the event of a contested election, the director nominees will be elected by the affirmative vote of a plurality of the votes cast. Under this standard, in a contested election the directors receiving the highest number of votes in favor of their election will be elected as directors.

BOARD EVALUATION

Our Board conducts an annual self-evaluation of itself and its committees to assess its effectiveness and to identify opportunities for improvement.

DIRECTOR NOMINATIONS

The Corporate Governance Committee considers and recommends the annual slate of director nominees for approval by the full Board. When evaluating director candidates, the Corporate Governance Committee considers, among other factors: the candidate s integrity; independence; leadership and ability to exercise sound judgment; animal health or veterinary expertise; prior public company executive experience; significant operations, manufacturing or research and development experience; as well as other areas relevant to the company s global business. The Corporate Governance Committee is responsible for considering the appropriate size and needs of the Board, and may develop and recommend to the Board additional criteria for Board membership. Diversity of experience, background and thought among Board members is an important factor in the selection of directors.

The Corporate Governance Committee will consider director candidates recommended by shareholders. Recommendations should be sent to the Chair of the Corporate Governance Committee (in the manner described below) by November 19, 2018, to be considered for the 2019 annual meeting. The Corporate Governance Committee evaluates candidates recommended by shareholders under the same criteria it uses for other director candidates. Shareholders may also submit nominees for election at an annual or special meeting of shareholders by following the procedures set forth in our By-laws, which are summarized on page 66.

Table of Contents

CORPORATE GOVERNANCE AT ZOETIS

Since the initial public offering of our stock in 2013, seven directors have been elected to our Board: Sanjay Khosla, Robert W. Scully, Louise M. Parent, Willie M. Reed, William F. Doyle (director from February 3, 2015 through May 11, 2016), Paul M. Bisaro and Linda Rhodes. Dr. Rhodes was identified as a potential director candidate by an executive officer of the company. The Corporate Governance Committee also retained a third-party search firm that worked with the Committee to identify other director prospects, vet director candidates, verify candidate credentials, and assess interest and willingness to serve on the Zoetis Board.

BOARD REFRESHMENT

Board development and director succession is an integral part of the company s long-term strategy. Our Board maintains a rigorous board refreshment process, spearheaded by the Corporate Governance Committee, focused on identifying and evaluating potential board candidates. Information about how we select our director nominees can be found in the section titled Director Nominations.

COMMUNICATIONS WITH THE BOARD OF DIRECTORS

Under our Corporate Governance Principles, our CEO is responsible for establishing effective communications with the company s stakeholder groups, including shareholders, customers, employees, communities, suppliers, creditors, governments, corporate partners and other interested parties. While it is our policy that management speaks for the company, non-employee directors, including the Board Chair, may meet with stakeholders, but in most circumstances such meetings will be held with management present.

Stakeholders and other interested parties may communicate with the following Board and committee Chairs at the following email addresses:

Stakeholders and other interested parties may also write to any of our outside directors, including the Board and committee Chairs, by directing the communication to Katherine H. Walden, Vice President, Chief Governance Counsel and Assistant Secretary, Zoetis Inc., 10 Sylvan Way, Parsippany, NJ 07054.

Communications are distributed to the Board, or to any individual director as appropriate, depending on the facts and circumstances outlined in the communication, but excluding spam, junk mail and mass mailings, product complaints, product inquiries, new product suggestions, job inquiries, surveys and business solicitations or advertisements. Material that is unduly hostile, threatening, illegal or similarly unsuitable will also be excluded. However, any communication that is filtered out under our policy will be made available to any director upon his or her request.

ATTENDANCE OF DIRECTORS AT ANNUAL MEETING OF SHAREHOLDERS

We believe that it is important for directors to directly hear concerns expressed by stakeholders and other interested parties. It is our policy that all Board members are expected to attend the Annual Meeting of Shareholders. All Board

members attended our 2017 Annual Meeting of Shareholders.

CODE OF ETHICS

All of our employees, including our CEO, Chief Financial Officer and Controller, are required to abide by our policies on business conduct to ensure that our business is conducted in a consistently legal and ethical manner. A copy of the Code of Conduct can be found on our website www.zoetis.com under *About Us Corporate Compliance*. We have also

Table of Contents

CORPORATE GOVERNANCE AT ZOETIS

adopted a separate Code of Business Conduct and Ethics for members of our Board of Directors, a copy of which can be found on our website www.zoetis.com under *About Us Corporate Governance*. We will disclose any future amendments to, or waivers from, provisions of these Codes affecting our directors or executive officers on our website as required under applicable SEC and NYSE rules.

COMPENSATION OF DIRECTORS

2017 COMPENSATION OF DIRECTORS

We provide competitive compensation to our non-employee directors that enables us to attract and retain high quality directors, provides them with compensation at a level that is consistent with our compensation objectives, and encourages their ownership of our stock to further align their interests with those of our shareholders. Our directors who are our full-time employees receive no additional compensation for service as a member of our Board of Directors.

In 2017, our non-employee directors compensation consisted of an annual cash retainer of $100,000 and an equity retainer to each non-employee director upon his or her first election as such and annually thereafter with a value of $200,000 on the date of grant, based upon the closing price of shares of Zoetis common stock on that date. The equity retainer is in the form of restricted stock units that vest on the third anniversary of the date of grant.

In 2017, we granted equity retainers in the form of restricted stock units, valued at $200,000 in the aggregate for each director on the date of grant, as follows:

- To each of Ms. Parent, Dr. Reed and Messrs. Bisaro, D Amelio, Khosla, Norden, McCallister, Scully and Steere, 3,635 restricted stock units valued at $55.02 per share.

- To Dr. Rhodes upon her initial appointment to the Zoetis Board in August 2017, 3,211 restricted stock units valued at $62.28 per share.

Each restricted stock unit earns dividend equivalents which are credited as additional restricted stock units. Each non-employee director has a right to receive the shares of Zoetis common stock underlying the restricted stock units on the third anniversary of the date of grant of the restricted stock units (or in the case of dividend equivalents, on the third anniversary of the date of grant of the underlying restricted stock units), subject to the director s continued service through such vesting date and subject to earlier vesting and settlement upon certain specific events.

Table of Contents

CORPORATE GOVERNANCE AT ZOETIS

We have adopted share ownership guidelines applicable to non-employee directors, requiring the directors to hold Zoetis shares with a value of four times their annual cash retainer of $100,000. For purposes of satisfying these requirements, (a) a director s holdings of the company s stock shall include, in addition to shares held outright, units granted to the director as compensation for Board service and shares or units held under a deferral or similar plan, and (b) each such unit shall have the same value as a share of the company s common stock. Each non-employee director has five years from the date of (y) his or her first election as a director, or (z) if later, an increase in the amount of company stock required to be held to achieve the share ownership requirement.

The following table summarizes the total compensation earned in 2017 by each of our directors who served as a non-employee director during 2017.

Name	Fees Earned or Paid in Cash($)[1]	Stock Awards ($)[2][3]	Option Awards($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings($)	All Other Compensation ($)	Total ($)
Paul M. Bisaro[4]	$125,000	$ 200,000					$ 325,000
Frank A. D Amelio[5]	$100,000	$ 200,000					$ 300,000
Sanjay Khosla[5]	$100,000	$ 200,000					$ 300,000
Michael B. McCallister[6]	$275,000	$ 200,000					$ 475,000

Gregory Norden[7]	$125,000	$ 200,000	$ 325,000
Louise M. Parent[5]	$100,000	$ 200,000	$ 300,000
Willie M. Reed[5]	$100,000	$ 200,000	$ 300,000
Linda Rhodes[8]	$ 41,667	$ 200,000	$ 241,667
Robert W. Scully[9]	$125,000	$ 200,000	$ 325,000
William C. Steere, Jr.[5]	$100,000	$ 200,000	$ 300,000

(1) Non-employee directors may defer the receipt of up to 100% of their annual cash retainer into a notional stock unit account under the Zoetis Non-Employee Director Deferred Compensation Plan. Any deferrals under this plan are credited as phantom stock units in the Zoetis stock fund or an alternate investment fund, with each phantom unit representing one share of Zoetis common stock. Phantom units in the Zoetis stock fund receive dividend equivalent rights but do not receive voting rights. Phantom stock units are settled in cash following the director s separation from service and may be transferred into an alternate investment fund at any time, subject to the limitations described in the Zoetis Non-Employee Director Deferred Compensation Plan. During 2017, two directors, Ms. Parent and Mr. Steere, deferred all of their cash retainers into their respective Non-Employee Director Deferred Compensation Plan accounts.

(2) The amounts in the Stock Awards column reflect the aggregate grant date value of restricted stock units granted to directors in 2017 calculated in accordance with FASB ASC Topic 718. The grant date fair value of each restricted stock unit granted to each non-employee director other than Dr. Rhodes on February 14, 2017, was $55.02. The grant date fair value of each restricted stock unit granted to Dr. Rhodes on August 3, 2017, was $62.28. Restricted stock units accrue dividend equivalents, the value of which is factored into the grant date fair value. Restricted stock units vest and are settled in shares of Zoetis common stock on the third anniversary of the date of grant, subject to the director s continued service through such vesting date and subject to earlier vesting and settlement upon certain specified events. Dividend equivalents vest and are settled in shares of Zoetis common stock on the third anniversary of the date of grant of the underlying restricted stock units, subject to the director s continued service through such vesting date and subject to earlier vesting and settlement upon certain specified events. At the end of 2017, the aggregate number of restricted stock units (including dividend equivalents) held by each current non-employee director was as follows: Mr. Bisaro, 11,654; Mr. D Amelio,

11,536; Mr. Khosla, 11,536; Mr. McCallister, 11,536; Mr. Norden, 11,536; Ms. Parent, 11,536; Dr. Reed, 11,536; Dr. Rhodes, 3,216; Mr. Scully, 11,536; and Mr. Steere, 11,536.

(3) Prior to 2015, each non-employee director was granted an equity retainer in the form of deferred stock units upon his or her election to the Board and annually thereafter. Deferred stock units vest fully on the date of grant, accrue dividend equivalents and are settled in Zoetis common stock only upon the director s separation from service with the company. At the end of 2017, the aggregate number of deferred stock units (including dividend equivalents) held by each current non-employee director was as follows: Mr. D Amelio, 9,484; Mr. Khosla, 9,484; Mr. McCallister, 10,252; Mr. Norden, 10,252; Ms. Parent, 9,484; Dr. Reed, 4,664; Mr. Scully, 9,484; and Mr. Steere, 10,252.

(4) Represents (a) a cash retainer of $100,000 for service to the Board as a non-employee director during 2017, (b) a cash retainer of $25,000 for service as Chair of the Quality and Innovation Committee during 2017 and (c) an equity retainer of 3,635 restricted stock units granted on February 14, 2017.

(5) Represents (a) a cash retainer of $100,000 for service to the Board as a non-employee director during 2017 and (b) an equity retainer of 3,635 restricted stock units granted on February 14, 2017.

(6) Represents (a) a cash retainer of $100,000 for service to the Board as a non-employee director during 2017, (b) a cash retainer of $150,000 for service as Chair of the Board during 2017, (c) a cash retainer of $25,000 for service as Chair of the Corporate Governance Committee during 2017 and (d) an equity retainer of 3,635 restricted stock units granted on February 14, 2017.

Table of Contents

CORPORATE GOVERNANCE AT ZOETIS

(7) Represents (a) a cash retainer of $100,000 for service to the Board as a non-employee director during 2017, (b) a cash retainer of $25,000 for service as Chair of the Audit Committee during 2017 and (c) an equity retainer of 3,635 restricted stock units granted on February 14, 2017.

(8) Represents (a) a prorated cash retainer of $41,667 for service to the Board as a non-employee director beginning on August 3, 2017 through the remainder of 2017 and (b) an equity retainer of 3,211 restricted stock units granted on August 3, 2017.

(9) Represents (a) a cash retainer of $100,000 for service to the Board as a non-employee director during 2017, (b) a cash retainer of $25,000 for service as Chair of the Compensation Committee during 2017 (due to an administrative error a portion of this amount was paid in March 2018) and (c) an equity retainer of 3,635 restricted stock units granted on February 14, 2017.

Table of Contents

EXECUTIVE COMPENSATION

ITEM 2

ADVISORY VOTE TO APPROVE OUR EXECUTIVE COMPENSATION (SAY ON PAY)

We are seeking your vote, on an advisory basis, on the compensation of our named executive officers as described in the Compensation Discussion and Analysis and the Executive Compensation Tables and accompanying narrative disclosure, as provided on pages 22 to 54 of this proxy statement. While the vote is not binding on the Board, the Compensation Committee will consider the outcome of the vote when making future executive compensation decisions.

For background, Section 14A of the Exchange Act of 1934 (the Exchange Act) requires an advisory vote on the frequency of shareholder votes on executive compensation. We conducted this advisory vote on frequency at our 2014 Annual Meeting of Shareholders; our shareholders voted for, and our Board subsequently approved, an annual advisory vote on executive compensation.

Our Board of Directors believes that our executive compensation program incentivizes and rewards our leadership for increasing shareholder value and aligns the interests of our management with those of our shareholders on an annual and long-term basis.

ITEM 2 RECOMMENDATION: OUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE APPROVAL OF OUR EXECUTIVE COMPENSATION.

Table of Contents

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

EXECUTIVE SUMMARY

In this Compensation Discussion and Analysis (CD&A) we describe our executive compensation philosophy and programs and the compensation decisions made by the Compensation Committee of the Board of Directors of Zoetis Inc. (the Committee) regarding the 2017 compensation of our named executive officers (NEOs).

Zoetis executive compensation program is designed to incent and reward our leadership for increasing shareholder value and align the interests of leadership with those of our shareholders on an annual and long-term basis.

Our NEOs for 2017, whose compensation is discussed in this CD&A and shown in the Executive Compensation Tables below, are:

NEO	Title
Juan Ramón Alaix	Chief Executive Officer (CEO)
Glenn C. David	Executive Vice President and Chief Financial Officer (CFO)
Kristin C. Peck	Executive Vice President and President of U.S. Operations *
Clinton A. Lewis, Jr.	Executive Vice President and President of International Operations *
Catherine A. Knupp	Executive Vice President and President of Research and Development

* Effective March 1, 2018, Ms. Peck assumed the role of Executive Vice President and Group President, U.S. Operations, Business Development and Strategy, and Mr. Lewis assumed the role of Executive Vice President and Group President, International Operations, Commercial Development, Global Genetics and Aquatic Health.

2017 BUSINESS HIGHLIGHTS

In 2017, our leadership team once again drove strong operating performance based on the three interconnected capabilities that have been critical to our success since becoming a public company: direct customer relationships, innovative research and development, and high-quality manufacturing and supply. We continued to deliver on our value proposition of growing revenue faster than the market and growing our adjusted net income faster than revenue; targeting key investment opportunities for growth; and returning excess capital to our shareholders.

Business Review. We completed the operational efficiency initiative that was launched in 2015, referred to as our Business Review , and in 2017 fully realized our Business Review s goals of: (1) reducing complexity that does not add value for our customers or our business; (2) optimizing resource allocation and efficiency; and (3) better positioning Zoetis for long-term profitable growth. By the end of 2017, we exceeded our goal of achieving annual cost savings of $300 million.

Financial Highlights. We delivered our fifth consecutive year of operational revenue growth and increased profitability consistent with our value proposition, as highlighted below.

(For more information please review the company s Annual Report on Form 10-K for fiscal year 2017 and this proxy statement.)

Table of Contents

- **Revenues**. For full year 2017, reported revenue was $5,307 million, with revenue growth of 8% on an operational[3] basis; this growth is greater than the expected global animal health growth for the year and in line with our value proposition. We generated strong operational revenue growth based on the diversity of our product portfolio, as well as solid, balanced performance across the U.S. and all our major international markets. Our companion animal products revenue grew 14% operationally[3], with particular strength in dermatology, as well as other new products like Simparica®. We delivered 5% operational revenue growth[3] in our livestock business.

- **Adjusted Net Income.** Net income for 2017 was $864 million and adjusted net income[4] for 2017 was $1,185 million. Adjusted net income increased 22% over 2016. In line with our long-term value proposition, we grew adjusted net income faster than revenue, demonstrating our focus on long-term profitable growth.

- **Earnings Per Share (EPS).** Reported diluted EPS for 2017 was $1.75 per diluted share, compared to $1.65 per diluted share reported in 2016. Adjusted diluted EPS[4] for 2017 was $2.40 per diluted share, compared to the 2016 amount of $1.96 per diluted share.

Our 2017 financial performance as compared to 2016 is reflected in the chart below.

Value-Added Investment Opportunities. Our Research & Development (R&D) team continued to increase the value of Zoetis long-term portfolio in 2017. We received approval for more than 200 new and enhanced products worldwide and completed a number of major research alliance deals, including a research collaboration with Celgene Global Health to develop novel solutions to help control parasitic infestations in animals and people. We were proud to be the first company to receive approval in the European Union for a veterinary use monoclonal antibody (mAb) therapy with marketing authorization for Cytopoint®, a mAb that helps reduce the clinical signs associated with atopic dermatitis, such as itching, in dogs. We also received approval of Suvaxyn® PRRS MLV in the European Union, a vaccine to protect pigs against porcine respiratory and reproductive syndrome.

[3] *Operational revenue growth (a non-GAAP financial measure) is defined as revenue growth excluding the impact of foreign exchange. Page 43 of our 2017 Annual Report on Form 10-K, filed with the SEC on February 15, 2018, contains a reconciliation of this non-GAAP financial measure to reported results under GAAP for 2017.*

[4] *Adjusted net income and adjusted diluted EPS (non-GAAP financial measures) are defined as reported net income attributable to Zoetis and reported diluted EPS, excluding purchase accounting adjustments, acquisition-related costs and certain significant items such as charges due to U.S. tax reform and costs associated with implementing*

organizational changes resulting from our Business Review. Pages 45 to 50 of our 2017 Annual Report on Form 10-K, filed with the SEC on February 15, 2018, contain a reconciliation of these non-GAAP financial measures to reported results under GAAP for 2017.

Table of Contents

EXECUTIVE COMPENSATION

Acquisitions. We executed on our strategy to deploy capital toward acquisitions that strengthen our portfolio, including our acquisition of Nexvet, a biologic therapeutics company developing a pipeline of monoclonal antibody (mAb) therapies for companion animals in pain and other therapeutic areas. We also completed an acquisition of Nordland Sett Vaks AS, a company with vaccination biodevices and services for the aquaculture market.

Dividends and Capital Allocation. In 2017, we paid out approximately $206 million dollars in common stock dividends to shareholders totaling $0.42 per share, and in December of 2017, our Board of Directors declared a first quarter 2018 dividend of $0.126 per share, a 20% increase over the quarterly dividend rate paid in 2017. In December 2016, we announced that our Board of Directors had authorized the repurchase of $1.5 billion of our outstanding common stock, and in 2017 we bought back approximately $500 million in shares at regular intervals. We continue to prioritize our capital allocation in ways that will add value to Zoetis through targeted business development activities and by returning excess capital to shareholders.

2017 COMPENSATION HIGHLIGHTS

Among the Committee s compensation-related actions in 2017, the Committee revised the cash-based metric under our Annual Incentive Plan (AIP). The Committee reviewed the cash-based metric (weighted 20%, with revenue and adjusted diluted EPS each comprising 40%) used to determine 2016 AIP payouts and approved a change to the use of free cash flow beginning in 2017. In 2016, the cash-based metric was defined as our adjusted net income plus depreciation, amortization and stock-based compensation within adjusted income, minus capital expenditures and certain one-time cash costs (after taxes), plus or minus foreign exchange impacts and changes in accounts receivable, inventories and accounts payable. Free cash flow is defined as U.S. GAAP operating cash flow, minus capital expenditures (adjusted to exclude the impact of extraordinary, one-time events, if any). As free cash flow is a widely used capital management metric, this update was made to bring greater consistency to financial performance evaluation and foster increased transparency for employees and shareholders.

CEO COMPENSATION: AT A GLANCE

Components of CEO Target Total Direct Compensation

Mr. Alaix target total direct compensation is comprised of base salary, target annual incentive compensation opportunity and target long-term incentive compensation opportunity.

Base Salary and Annual Incentive

Mr. Alaix base salary for the first three months of 2017 was $1,160,000 and his target annual incentive opportunity for that three-month period was 115% of his base salary, providing for annualized target total cash compensation of $2,494,000.

On February 14, 2017, the Committee recommended increasing Mr. Alaix base salary to $1,200,000, and increasing his target annual incentive opportunity from 115% to 125% of his base salary, providing for annualized target total

cash compensation of $2,700,000.

Upon the Committee s recommendation, the Board of Directors approved this increase effective April 1, 2017, the effective date of annual salary increases generally applicable to other employees. Because this increase was not applied retroactively, Mr. Alaix full year target total cash compensation for 2017 was $2,648,500 (base salary of $1,190,000 and annual incentive target of $1,458,500).

	2017		
	January 1 March 31	**April 1 December 31**	**Full Year**
Base Pay	$1,160,000	$1,200,000	$1,190,000
Target Annual Incentive	$1,334,000	$1,500,000	$1,458,500
Total Target Cash Compensation	**$2,494,000**	**$2,700,000**	**$2,648,500**

Table of Contents

In February 2018, the Committee recommended, and the Board of Directors approved, an annual incentive payment for 2017 of $1,750,000 (120% of the full year annual incentive target) for Mr. Alaix based on Zoetis 2017 financial results and his individual performance.

Long-Term Incentive

On February 14, 2017, Mr. Alaix received a long-term equity incentive grant with a total grant date fair value of $7,300,000, consisting of one-third each of stock options, time-vesting restricted stock units (RSUs) and performance-vesting RSUs (performance award units). Each of these awards (170,163 stock options, 44,226 RSUs and 32,758 performance award units) is subject to three-year cliff vesting and vests 100% on the third anniversary of the date of grant (i.e., they remain unvested until February 14, 2020), generally subject to Mr. Alaix continued employment through the vesting date and, in the case of performance award units, the company s results against its three-year relative total shareholder return (TSR) goals. As provided under the Zoetis Inc. 2013 Equity and Incentive Plan (the Equity Plan), vesting of awards may be accelerated in part or in full upon a termination of Mr. Alaix employment as a result of death, disability, retirement or upon a change in control.

Target Total Direct Compensation (TTDC)

The chart below shows the TTDC for Mr. Alaix for the first three months of 2017, the last nine months of 2017 (which includes the April 1, 2017 increase to Mr. Alaix base salary described above) and his full year 2017 TTDC (which reflects the pro-rata combination of Mr. Alaix pre-April 1, 2017 and post-April 1, 2017 TTDC).

Table of Contents

EXECUTIVE COMPENSATION

CEO Pay Ratio

Item 402(u) of the SEC s Regulation S-K, which was mandated by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, requires disclosure of the ratio of the annual total compensation of our CEO to our median employee s annual total compensation. The ratio disclosed below is a reasonable estimate calculated in a manner consistent with item 402(u).

To identify our median employee, we chose annual base pay as our globally-consistent definition of pay. We calculated annual base pay using a methodology that reasonably reflects the annual compensation of employees, which included reasonable estimates of hours worked during 2017 for hourly workers and annualized base pay for employees who commenced work during 2017. We chose not to exclude any employees.

We used a valid statistical sampling approach to estimate the base pay for our median employee. We selected an individual whose base pay as of October 1, 2017 was at or near that value and whose total compensation (determined in a manner consistent with that of our CEO in the Summary Compensation Table) was $70,260. We then compared the annual total compensation of our CEO to the total annual compensation of the median employee. Our CEO s total annual compensation for the year ended December 31, 2017, as disclosed in the summary compensation table, was $10,528,769. Therefore, the ratio of CEO pay to median employee pay was 150 to 1.

OUR COMPENSATION PROGRAM

COMPENSATION PHILOSOPHY

Our compensation philosophy, which is set by the Committee, is summarized below.

Compensation Philosophy	Objectives
Pay for Performance	Foster a pay-for-performance culture by tying a large portion of our executives pay to performance against pre-established annual company financial and operational metrics, as well as pre-established annual individual goals for each executive
Align Management Interests with Shareholders	Align the interests of management with results delivered to our shareholders through the use of long-term incentive programs that are designed to reward executives for increasing the value of our shareholders investment

Pay Mix	Provide competitive compensation opportunities over the short term (base salary and annual incentives) and long term (equity-based long-term incentive awards) which are intended to retain our experienced management team, enable us to attract new qualified executives when needed and remain externally aligned with the compensation practices of our peer group

Table of Contents

EXECUTIVE COMPENSATION

BASIC PRINCIPLES OF OUR EXECUTIVE COMPENSATION PROGRAM

Key principles and elements of our executive compensation program are summarized below. We believe these practices promote good governance and serve the interests of our shareholders.

WHAT WE DO:

Emphasize pay for performance our executive compensation program emphasizes variable pay over fixed pay, with more than two-thirds of our executives target compensation tied to our financial results and stock performance.

Maintain a three-year cliff vesting schedule for equity-based long-term incentive awards.

Require executives to comply with market-competitive stock ownership guidelines.

Require executives to hold net shares upon the exercise of stock options or vesting of stock until they achieve the relevant stock ownership guideline.

Maintain a policy prohibiting traditional perquisites of employment (as determined by our Board of Directors) for our employees, including our NEOs.

Maintain anti-hedging and anti-pledging policies applicable to our directors and employees, including our NEOs.

Maintain a claw-back policy that allows us to recover incentive payments based on financial results that are subsequently restated or in response to certain inappropriate actions on the part of our executives.

Provide for double trigger equity award vesting and severance benefits following a change in control.

Provide severance benefits through an Executive Severance Plan, consisting of cash equal to a multiple of base salary and target annual incentive, as well as continued health and welfare benefits, as described in the Executive Severance Plan.

Use an independent compensation consultant when designing and evaluating our executive compensation policies and programs.

Conduct an annual risk assessment to ensure that the company s pay programs and practices do not create risks that are likely to have a material adverse impact on the company.

WHAT WE DON T DO:

û Maintain employment agreements with our executives, including our NEOs (other than agreements that are required or customary for executives outside of the U.S.).

û Allow repricing of stock options without shareholder approval.

û Provide tax gross ups to any of our executives, including our NEOs (except with respect to certain international assignment or relocation expenses, consistent with our policies and available on the same basis to all eligible employees).

û Provide for single trigger equity award vesting or other single trigger payments or benefits upon a change in control.

ELEMENTS OF 2017 COMPENSATION

Element	Description and Purpose	Comments

Cash Compensation		
Base Salary	Fixed cash compensation that reflects fulfillment of day-to-day responsibilities, skills and experience. Addresses employee cash-flow needs and retention objectives.	Reviewed annually in light of changes in market practice, performance and individual responsibility.
Annual Incentive Plan (AIP)	Annual cash incentive that rewards achievement of our financial and strategic/operational goals, as well as the individual performance of the NEO and, along with base salary, provides a market-competitive annual cash compensation opportunity. For 2017, the AIP pool was funded based on Zoetis performance against revenue, adjusted diluted EPS and free cash flow goals.	Amount of payout is based on the extent of achievement of company and individual goals set and approved by the Committee in the first quarter of each year. The Committee may exercise discretion in considering performance results in the context of other strategic and operational objectives.

Table of Contents

EXECUTIVE COMPENSATION

ELEMENTS OF 2017 COMPENSATION (CONTINUED)

Element	Description and Purpose	Comments
Long-Term Incentives		
Stock Options	Equity awards that provide value based on growth in our stock price. Intended to focus NEOs on increasing the company s stock price. Reward NEOs for increases in the stock price over a period of up to ten years.	In 2017, stock options represented one-third of each NEO s long-term incentive opportunity based on the grant date fair value of the awards. Exercise price equals 100% of the stock price on the date of grant. Ten-year term. Three-year cliff vesting: vests 100% on the third anniversary of the date of grant, subject to the NEO s continued employment through such date (with vesting on certain earlier terminations, such as retirement, death, change in control, etc., that are generally aligned with market practice).
Restricted Stock Units	Equity awards that give the recipient the right to receive shares of Zoetis stock on a specified future date, subject to	In 2017, RSUs represented one-third of each NEO s long-term incentive opportunity based on the grant date fair

	vesting.	value of the awards.
	Align NEO and shareholder interests, as NEOs will realize a higher value from RSUs from an increasing stock price.	Three-year cliff vesting: vests 100% on the third anniversary of the date of grant, subject to the NEO s continued employment through such date (with vesting on certain earlier terminations, such as retirement, death, change in control, etc., that are generally aligned with market practice).
		Paid out in shares of our company common stock upon vesting.
		Dividend equivalents are accrued over the vesting period and paid when and if the RSUs vest (subject to the same vesting conditions as the underlying RSUs).
Performance Award Units	Equity awards that give the recipient the right to receive shares of Zoetis stock on a specified future date, subject to vesting and the company s performance against its three-year relative TSR goals.	In 2017, the target number of performance award units represented one-third of each NEO s long-term incentive opportunity based on the grant date fair value of the awards.
	Align NEO and shareholder interests, as the value NEOs realize from their performance award units depends on the value of the shareholders investment relative to other investment opportunities over the same time period.	Three-year cliff vesting: units earned based on the company s TSR results over the three-year performance period relative to the TSR results of the S&P 500 Group (as described below under Long-Term Incentives) vest 100% on the third anniversary of the date of grant, subject to the NEO s continued employment through such date (with vesting on certain earlier terminations, such as retirement, death, change in control, etc., that are generally aligned with market practice).

	Paid out in shares of our company common stock upon vesting, with the payout ranging from 0% to 200% of target (including dividend equivalents), depending on the extent to which the pre-determined performance goals have been achieved.
	Dividend equivalents are accrued over the vesting period and paid when and if the performance award units vest (subject to the same vesting conditions as the underlying performance award units).

Table of Contents

EXECUTIVE COMPENSATION

ELEMENTS OF 2017 COMPENSATION (CONTINUED)

Element	Description and Purpose	Comments
Retirement		
U.S. Savings Plan (Savings Plan)	A tax-qualified 401(k)/profit sharing plan that allows U.S. participants to defer a portion of their compensation, up to U.S. Internal Revenue Code (IRC) and other limitations, and receive a company matching contribution. A discretionary profit sharing contribution of up to 8% of an eligible employee s total cash pay, within IRC limitations and based on company performance.	We provide a matching contribution of 100% on the first 5% of an employee s total cash pay contributed to the Savings Plan, up to IRC limitations. For 2017, we made a profit sharing contribution of 4.0% of total cash pay (within IRC limitations) to all eligible U.S. employees.
Supplemental Savings Plan	A non-qualified deferred compensation plan that makes up for amounts that would otherwise have been contributed to the Savings Plan (by the employee or as matching or profit sharing contributions by the company) but could not be contributed due to IRC limitations. Also allows NEOs and certain other executives to defer up to an additional 60% of the amount of their AIP payment that is over the IRC 401(a)(17) limit and that is not	Matching and profit sharing contributions are notionally credited as company stock.

	matched by the company.	
Equity Deferral Plan	The Zoetis Equity Deferral Plan allows the most senior leaders of the company (9 U.S. employees, including the NEOs) to defer the receipt of our company s common stock upon vesting of RSUs and performance award units. Participation in this plan is voluntary.	Participants may elect to defer up to 100% of the company common stock to be received upon vesting, or a lesser amount in 25% increments. Participants may elect to receive their deferred shares upon termination of employment in a lump sum or in annual installments (special provisions provide for situations such as death or disability, or to comply with IRC regulations, as described more fully in the Zoetis Equity Deferral Plan). In general, election decisions must be made by the end of the year before the RSUs are granted, and by the end of the second year of a three-year performance period for performance award units.
Severance		
Executive Severance Plan	Severance benefits provided to NEOs and certain other executives (currently 12 employees, including the NEOs) upon an involuntary termination of employment without cause (whether before or after a change in control), or upon a good reason termination of employment upon or within 24 months following a change in control.	Facilitates recruitment and retention of NEOs and certain other executives by providing income security in the event of involuntary job loss. Provides the CEO with: ¡ 1.5 times base salary and target annual incentive upon an involuntary termination of employment without cause (unrelated to a change in control).

- 2.5 times base salary and target annual incentive upon an involuntary termination of employment without cause or a good reason termination following a change in control.

Provides other executives, including the NEOs other than the CEO with:

- 1 times base salary and target annual incentive upon an involuntary termination of employment without cause (unrelated to a change in control).

- 2 times base salary and target annual incentive upon an involuntary termination of employment without cause or a good reason termination following a change in control.

Table of Contents

EXECUTIVE COMPENSATION

SAY ON PAY CONSIDERATION AND SHAREHOLDER OUTREACH

At our 2017 Annual Shareholder Meeting we held a shareholder advisory vote on the compensation of our NEOs in 2016 (say on pay). Our shareholders overwhelmingly approved the compensation of our NEOs, with 97.6% of the votes cast in favor of our say on pay resolution. We believe that the outcome of our say on pay vote signals our shareholders support of our compensation approach, specifically our efforts to retain and motivate our NEOs and to align pay with performance and the long-term interests of our shareholders.

We value feedback from our shareholders and throughout 2017 we continued to actively engage our shareholders through participation in numerous investor meetings and conferences. The majority of these meetings were attended by our CEO in person, with an emphasis on high-quality interactions with our shareholders and the broader investment community.

The Committee reviewed and considered these voting results and our shareholder engagement activities, among other factors described in this CD&A, in evaluating the company s executive compensation program.

THE COMMITTEE S PROCESS

According to its Charter, the Committee is responsible for, among other duties:

- Reviewing and approving the company s overall compensation philosophy;
- Overseeing the administration of related compensation and benefit programs, policies and practices;
- Reviewing and approving the company s peer companies and data sources for purposes of evaluating the company s compensation competitiveness;
- Establishing the appropriate competitive positioning of the levels and mix of compensation elements;
- Evaluating the performance of the CEO against performance goals and objectives approved by the Board of Directors in the first quarter of the year; and
- Approving the performance goals, evaluating the performance of each executive against individual performance goals established in the first quarter of the year and approving the compensation of the company s executive officers.

To evaluate the performance of the CEO, the other NEOs and the other members of the Zoetis Executive Team (ZET), at the beginning of each year, the Committee meets and approves strategic, financial and operational objectives for the

CEO, the other NEOs and the other ZET members for the upcoming year, and it also evaluates their performance for the previous year.

Our CEO, Mr. Alaix, does not play any role in the Committee s determination of his own compensation. For the other NEOs and ZET members, Mr. Alaix presents the Committee with recommendations for each element of compensation. He bases these recommendations upon his assessment of each individual s performance, the performance of the relevant functions overseen by the individual, benchmark information and retention risk. The Committee then reviews the CEO s recommendations, makes appropriate adjustments and approves compensation changes at its discretion.

ROLE OF THE COMPENSATION CONSULTANT

The Committee retained Willis Towers Watson to serve as its executive compensation consultant in 2017. While Willis Towers Watson may make recommendations on the form and amount of compensation, the Committee continues to make all decisions regarding the compensation of our NEOs, subject to the review (and approval in the case of the CEO) of the other independent directors. In 2017, Willis Towers Watson served the Committee in a variety of activities, including:

Reviewing and advising the Committee on evolving trends in executive compensation and as to materials presented by management to the Committee;

Attending all 2017 Committee meetings and communicating with the Committee Chair between meetings as necessary;

Table of Contents

Providing the Committee with advice, pay-for-performance analytics and benchmarking norms related to the compensation of the CEO, the other NEOs and the other ZET members;

Reviewing and making recommendations for changes to our compensation peer group;

Reviewing our annual incentive and long-term incentive plan design;

Reviewing recommendations for stock ownership guidelines for our executives;

Reviewing and assessing our incentive and other compensation programs to ensure they do not create undue risk for the company; and

Reviewing this CD&A and related Executive Compensation Tables.

PEER GROUP AND COMPENSATION BENCHMARKING

Each year, the Committee conducts a review of Zoetis compensation peer group of publicly-traded companies that is used for purposes of benchmarking pay levels and pay practices for our CEO, our other NEOs and the other ZET members, to determine if any changes are necessary or appropriate. Because there are currently no other independent publicly-traded animal health companies of comparable size and complexity, our peer group selection looks beyond our animal health competitors to a broader list of companies in the pharmaceutical, biotechnology, life sciences and healthcare equipment industries. Additionally, companies with similar sales and market capitalization, as well as similarities to Zoetis in the nature of their businesses, and the availability of relevant comparative compensation data, are also considered.

As a result of this review and due to recent merger and acquisition activity among companies that had previously been identified as peers, the Committee made certain revisions to the company s compensation peer group for 2018 in order to provide a robust number of peer companies and a good balance of companies across the various industries. The revised compensation peer group is comprised of the 15 peer companies listed in the table below.

Agilent Technologies, Inc.	Mallinckrodt plc
Alexion Pharmaceuticals, Inc.	Mettler-Toledo International Inc.

Biogen Inc.	Mylan N.V.
Bio-Rad Laboratories, Inc.	PerkinElmer, Inc.
Boston Scientific Corporation	Perrigo Company plc
Celgene Corporation	Stryker Corporation
Endo International plc	Zimmer Biomet Holdings, Inc.
IQVIA Holdings Inc.	

Zoetis ranks in the 47th percentile in revenue and 71st percentile in total market capitalization among the companies in this revised peer group. This peer group will be used to guide the Committee in making 2018 compensation decisions.

In determining the elements of 2017 compensation for our NEOs, we used the following benchmarks:

- Proxy statement data for the peer group as disclosed in each company s prior year CD&A and Executive Compensation Tables.

- Survey data from similarly-sized companies in life sciences and other industries for benchmarking purposes to ensure robust data. In particular, in certain cases we used data from the Willis Towers Watson Executive Compensation Survey for this purpose.

The Committee will continue to review our compensation peer group on an annual basis and will make any adjustments that are deemed to be appropriate to reflect our financial and operational performance and other matters the Committee deems relevant.

ROLE OF MANAGEMENT IN COMPENSATION DECISIONS

Our CEO and Chief Human Resources Officer provide the Committee with preliminary recommendations for compensation of the NEOs and other members of the ZET other than themselves. The Committee, with the advice of its

Table of Contents

EXECUTIVE COMPENSATION

independent compensation consultant, approves the compensation for the NEOs (other than the CEO) and the other members of the ZET, and recommends the compensation of the CEO to our full Board of Directors for approval.

2017 COMPENSATION PROGRAM AND DECISIONS

COMPENSATION STRUCTURE

The compensation structure for our executives, including our NEOs, reflects our overall compensation philosophy of emphasizing pay-for-performance and aligning the interests of our executive officers and our shareholders, and is designed to emphasize incentive compensation over fixed compensation and equity compensation over cash compensation. For all of our NEOs, long-term incentive compensation is entirely equity-based and makes up the largest portion of their pay mix. In 2017, 88% of the TTDC of our CEO was incentive-based pay, either subject to achievement of performance goals or with value directly tied to the price of our common stock. For each of our NEOs other than our CEO, on average 75% of TTDC was incentive-based pay.

The table and chart below show the mix of TTDC for our NEOs for 2017. The TTDC for our NEOs reflects their annualized base salaries and target annual incentive opportunities as of the end of the year. The numbers in this table differ from those shown in the 2017 Summary Compensation Table (provided later in this proxy statement) in that the Summary Compensation Table reflects actual base salary and annual incentives earned during 2017 (rather than annualized target amounts), and this table does not include all compensation information required to be presented in the Summary Compensation Table under the rules of the SEC.

2017 NEO Compensation Structure*

					Pay Mix		
NEO	**Base Salary**	**Target Annual Incentive**	**Long-Term Incentive**	**Target Total Direct Compensation**	**Base Salary**	**Target Annual Incentive**	**Long-Term Incentive**
Juan Ramón Alaix	$ 1,200,000	$ 1,500,000	$7,300,000	$10,000,000	12%	15%	73%
Glenn C. David	$ 600,000	$ 480,000	$1,400,000	$ 2,480,000	24%	19%	56%

Kristin C. Peck	$ 660,000	$ 528,000	$1,400,000	$ 2,588,000	26%	20%	54%
Clinton A. Lewis, Jr.	$ 660,000	$ 528,000	$1,400,000	$ 2,588,000	26%	20%	54%
Catherine A. Knupp	$ 600,000	$ 480,000	$1,400,000	$ 2,480,000	24%	19%	56%

* Amounts in this table are as of December 31, 2017

Table of Contents

BASE SALARY

Base salary is the principal fixed component of the TTDC of our NEOs, and is determined by considering the relative importance of the position, the competitive marketplace and the individual s performance and contributions. In setting base salaries and determining salary increases for our NEOs, the Committee takes into account a variety of factors, including:

- Level of responsibility;
- Individual and team performance;
- Internal review of the NEO s total compensation, individually and relative to our other officers and executives with similar levels of responsibility within the company; and
- General levels of salaries and salary changes relative to officers and executives with similar responsibilities at peer group companies.

With regard to individual and team performance, the Committee considers the CEO s evaluation of the individual performance of each NEO. Salary levels are typically reviewed annually as part of the Committee s performance review process and would otherwise be reviewed in the context of a promotion or other change in job responsibility.

After taking into consideration the factors listed above, the Committee approved increases to the base salaries and target incentives of Mr. Alaix, Mr. David, Ms. Peck, Mr. Lewis, and Dr. Knupp, effective April 1, 2017, as reflected in the section above entitled Compensation Structure .

ANNUAL INCENTIVE PLAN (AIP)

Our AIP is our annual cash incentive plan, which is intended to reward all AIP-eligible employees, including our NEOs, for achievement of company financial and strategic/operational goals, as well as achievement of their own individual performance goals.

Our AIP utilizes a funded pool approach. An overall target AIP pool for the year is determined by adding together the target AIP payouts for each eligible employee, including the NEOs. The actual amount of the AIP pool for 2017 was determined by the Committee based on the company s attainment of the revenue, adjusted diluted EPS and

free cash flow goals (weighted 40%, 40% and 20%, respectively) approved by the Committee in the first quarter of the year.

Beginning in 2017, the AIP cash-based metric is free cash flow, defined as U.S. GAAP operating cash flow, minus capital expenditures (adjusted to exclude the impact of extraordinary, one-time events, if any). As free cash flow is a widely used capital management metric, this new definition of the cash-based metric was implemented to bring greater consistency to financial performance evaluation and foster increased transparency for employees and shareholders.

The three measures (revenue, adjusted diluted EPS and free cash flow) were selected because they reflect the successful execution of our business strategy and support the achievement of the company s annual operating plan, more specifically:

Revenue and adjusted diluted EPS are measures that shareholders closely track in their analysis of our performance

Free cash flow helps drive the efficient management of working capital and discipline in capital expenditures

The threshold, target and maximum performance levels for AIP pool funding for 2017 were established by the Committee in early 2017.

Table of Contents

EXECUTIVE COMPENSATION

COMPANY 2017 PERFORMANCE

The revenue, adjusted diluted EPS and free cash flow target levels and results reflected here and used to determine the funding level of our AIP pool exclude the impact of foreign exchange during 2017 and are therefore different from our reported revenue, adjusted diluted EPS and free cash flow results of $5,307 million, $2.40 per share and $1,122 million, respectively. The impact of foreign exchange is excluded as it is not a direct measure of the company s operating performance. These adjusted financial results for 2017 led to above-target payouts under our AIP:

- Revenue, excluding the impact of foreign exchange, was $5,251 million, 101% of the 2017 revenue target established for the AIP of $5,201 million.

- Adjusted diluted EPS, excluding the impact of foreign exchange, was $2.38 per share and exceeded the 2017 adjusted diluted EPS target established for the AIP of $2.34 per share.

- Free cash flow in 2017, excluding the impact of foreign exchange, was $1,112 million, which was 116% of our 2017 free cash flow target of $959 million.

Given these results, the Committee approved an aggregate funding level of 118% of target for payment of awards under the AIP. The Committee believes this funding level recognizes Zoetis delivery of strong 2017 financial performance.

The threshold, target and maximum performance levels for AIP pool funding, as well as the actual results for 2017, are shown in the table below.

The target payout levels for our NEOs were set by the Committee (and, in the case of the CEO, the Board of Directors) in February 2017. Payouts under the AIP program can range from 0% to 200% of the target level depending on actual performance.

Table of Contents

COMPLETION OF BUSINESS REVIEW

In February 2018, the Committee approved one-time cash payments of $300,000 each to Mr. Lewis, Ms. Peck and Dr. Knupp to recognize their contributions to the successful completion of the company s Business Review. In addition, the Committee approved a one-time cash payment of $150,000 to Mr. David for his contribution to the Business Review since his appointment as Executive Vice President and CFO in August of 2016. In December 2016, Mr. David received a special equity-based award of $300,000 to recognize his contributions to the company s Business Review prior to the time he was appointed Executive Vice President and CFO.

PERFORMANCE AWARD UNITS

Our performance award units awarded in 2015 used relative total shareholder return (Relative TSR) as the metric for assessing our performance for the three-year performance period ended December 31, 2017. TSR is the appreciation of share price, including dividends, during the Performance Period. Relative TSR is Zoetis TSR as compared to the TSR over the performance period of the S&P 500 Group , which we define as the companies comprising the S&P 500 stock market index as of the beginning of the performance period, excluding companies that during the performance period are acquired or no longer publicly traded. Relative TSR was selected because we believe it best aligns the interests of our NEOs with those of our shareholders over the performance period.

In February 2018, the Committee certified that for the 2015-2017 performance cycle, our Relative TSR was at the 83rd percentile, ranking in the top 20% of the 454 companies remaining in the S&P 500 Group at December 31, 2017. Based on this Relative TSR achievement, in accordance with the vesting matrix established at the beginning of the performance period, each 2015-2017 performance award unit vested at 200% of the established target amount.

Table of Contents

EXECUTIVE COMPENSATION

CEO 2017 PERFORMANCE

In determining Mr. Alaix 2017 annual incentive payment, the Board of Directors and the Committee considered the strong financial results achieved by the company under Mr. Alaix leadership, including performance against the revenue, adjusted diluted EPS and free cash flow metrics included in the AIP. The Board of Directors and the Committee also considered Mr. Alaix other 2017 achievements, including those summarized in the table below.

CEO 2017 Achievements	
Leadership of the Business Review	As a result of the completion of the Business Review that was launched in 2015: We fully realized our Business Review s goals of: (1) reducing complexity that does not add value for our customers or our business; (2) optimizing resource allocation and efficiency; and (3) better positioning Zoetis for long-term profitable growth. We exceeded our aggressive target of $300 million in annual cost savings by the end of 2017.
Product Launches and Approvals	We delivered on all of our key R&D milestones and notably: We were the first company to receive approval in the European Union for a veterinary use monoclonal antibody (mAb) therapy with marketing authorization for Cytopoint, a mAb that helps reduce the clinical signs associated with atopic dermatitis, such as itching, in dogs. We received approval of Suvaxyn PRRS MLV in the European Union (EU), a vaccine to protect pigs against porcine respiratory and reproductive syndrome, AlphaJect micro® PD vaccine in Norway, the UK and Ireland for the control of pancreatic disease in farmed salmon, and Simparica in Japan, a once-monthly chewable formulation of sarolaner to treat fleas and

	ticks in dogs. We delivered on a number of lifecycle innovations including: a chewable formula for Clavamox® (amoxicillin/clavulanic acid), a line of anti-infectives for dogs and cats in the U.S.; Stronghold Plus®, a line extension of our feline parasiticide product Stronghold® into the European Union; Rimadyl® chewable tablets in Singapore to treat chronic pain in dogs; Fostera® PRRS in Korea, a vaccine to protect against respiratory and reproductive disease in pigs; and Cefaclear® in New Zealand to treat bacterial infections in livestock.
Business Development and Strategic Alliances	In line with our goal of pursuing strategically aligned business development opportunities that enhance our product portfolio, strengthen our presence in emerging markets and help expand our complementary businesses such as Diagnostics, Genetics and Biodevices: We acquired Nexvet, a biologic therapeutics company developing a pipeline of mAb therapies for companion animals in pain and other therapeutic areas. We completed the acquisition of Nordland Sett Vaks AS, a company with vaccination biodevices and services for the aquaculture market. We completed a number of major research alliance deals, including a collaboration with Celgene Global Health to develop novel solutions to help control parasitic infestations in animals and people.
Improvements in Manufacturing Quality, Cost and Reliable Supply	We focused on improvements in manufacturing quality, cost and reliable supply initiatives: We continued to execute our Plant Network Strategy initiatives in our efforts to reduce cost of goods sold. We improved our demand forecast accuracy and successfully achieved our targets for reducing inventory on hand, as part of our efforts to improve working capital and cash flow.

	We completed the purchase of a manufacturing site in Rathdrum, Ireland, enabling us to increase our capacity to produce active pharmaceutical ingredients that are used in many of our key products for companion animals and livestock.
Employee Engagement	Zoetis was again recognized in the top 10 Working Mother s Best Companies to work for, was named a 2017 Forbes Best Mid-Sized employer, and was named as a top 150 company to work for in Brazil by Voce S/A magazine for the second time.

The Board of Directors and the Committee also considered the results of an anonymous 360 degree feedback survey, conducted among the members of the ZET, in evaluating Mr. Alaix 2017 performance. ZET members provided their views on Mr. Alaix performance across various leadership dimensions, including strategic acumen and insightfulness, judgment and decision making, team and talent building, operational effectiveness, and reputation and external relationships. The

Table of Contents

results of this survey were considered by the Board of Directors in its assessment of Mr. Alaix 2017 performance and were used to provide constructive feedback to Mr. Alaix to enhance his leadership effectiveness going forward. After considering and balancing each of these inputs to Mr. Alaix overall 2017 performance, the Committee recommended and the Board of Directors approved an annual incentive payout to Mr. Alaix of 120% of target ($1,750,000).

OTHER NEO 2017 PERFORMANCE

What follows are highlights of individual and business unit/function performance considered in the CEO s evaluation of the performance of the other NEOs and the CEO s recommendations with respect to the other NEOs AIP payouts for 2017. In reviewing the compensation recommendations for the other NEOs and approving their AIP payouts, the Committee considered the overall performance of the company, as well as the CEO s assessment of each NEO s individual performance and accomplishments relative to each NEO s individual performance objectives that were approved by the Committee at the start of 2017.

NEO	2017 Achievements
Glenn C. David **Executive Vice President** **and Chief Financial Officer**	As Executive Vice President and CFO, Mr. David: Successfully completed the issuance of $1,250 million in debt. Led efforts to enhance and improve our internal controls, financial reporting and SOX compliance. Improved efficiency and lowered operating costs of our global finance organization. Provided effective financial leadership that enabled the company to achieve its strong 2017 financial results.

Kristin C. Peck

Executive Vice President

and President of U.S. Operations

As Executive Vice President and President of U.S. Operations, Ms. Peck:

Delivered above-market revenue, expanded operating margins and delivered strong income growth.

Cemented recently launched products as clear market leaders with products such as Apoquel®, Cytopoint and Simparica.

Developed and led several U.S.-wide initiatives to enhance customer experiences and make Zoetis a company that is easy to do business with:

- Launched a successful new customer rewards program, My Zoetis Rewards, and
- Streamlined key customer journeys such as implementing 24-hour online account setup for our customers and providing 24/7 access to statements and invoicing.

Led successful design and implementation of Zoetis first direct-to-consumer advertising campaign for Apoquel and Simparica.

Clinton A. Lewis, Jr.

Executive Vice President

and President of

International Operations

As Executive Vice President and President of International Operations, Mr. Lewis:

Achieved strong revenue and income growth, growing faster than the overall animal health market globally and in each major regional segment.

Achieved strong growth of key and new products, including Apoquel, Simparica, PCV Combo and Stronghold Plus.

Played a key role in the plan to expand our presence and capabilities (R&D and Manufacturing) in China.

Dr. Catherine A. Knupp

Executive Vice President

and President of Research and Development

As Executive Vice President and President of Research and Development, Dr. Knupp:

Led efforts that generated more than 200 approvals worldwide for new products and enhancements to the current portfolio.

For companion animals:

- In the EU, received approval of Cytopoint, a monoclonal antibody that helps reduce the clinical signs associated with atopic dermatitis in dogs, and Stronghold Plus (selamectin/sarolaner) for the treatment of fleas, ticks, ear mites, lice and gastrointestinal worms and prevention of heartworm disease in cats.

- In the U.S., extended our Clavamox (amoxicillin/clavulanic acid) line of anti-infectives for dogs and cats with approval of a chewable formula.

For livestock, received approval of Suvaxyn PRRS MLV in the EU to extend our Suvaxyn swine vaccine franchise to help protect pigs against porcine respiratory and reproductive syndrome.

Table of Contents

EXECUTIVE COMPENSATION

NEO AIP DECISIONS

In February 2018, the Committee (and, in the case of the CEO, the Board of Directors) determined the amount of annual incentive earned by each of our NEOs and approved the final payouts to each NEO for 2017. The NEOs 2017 annual incentive awards were based on:

- The financial performance of Zoetis (measured against targets for revenue, adjusted diluted EPS and free cash flow);
- The financial performance of their respective region/business unit/function measured by annual budgets for revenue and income before adjustments (as applicable);
- The achievement of approved strategic and operational goals for their respective region/business unit/function; and
- An assessment of each NEO s individual performance relative to each executive s performance objectives (indicated above), including an assessment of whether such performance objectives were achieved in alignment with our Core Beliefs, which define the values and behaviors that we expect all Zoetis employees, including our NEOs, to exhibit in carrying out their responsibilities.

The 2017 AIP target amounts are prorated to reflect base salary increases received during the year. The 2017 AIP awards for our NEOs reflecting the Committee s assessment of their performance in 2017 (and, in the case of our CEO, the Board of Directors assessment of his performance in 2017) are shown in the table below.

NEO	AIP Target Amount	AIP Award % of Target	AIP Award Paid
Juan Ramón Alaix	$ 1,458,500	120.0%	$ 1,750,000
Glenn C. David	$ 462,375	119.0%	$ 550,041

Kristin C. Peck	$ 508,000	118.0%	$ 599,440
Clinton A. Lewis, Jr.	$ 508,000	119.5%	$ 607,060
Catherine A. Knupp	$ 452,750	118.0%	$ 534,245

LONG-TERM INCENTIVES (LTI)

Our Equity Plan is a comprehensive long-term incentive compensation plan that permits us to grant equity-based long-term compensation awards to employees and directors. The Committee believes that equity-based long-term incentive awards align the interests of management with our shareholders and focus management on our long-term growth. In addition, the Committee believes that equity-based awards are essential to attract and retain the talented professionals and managers needed for our continued success. In determining the size of equity-based grants, the Committee considers the number of shares available under the Equity Plan, the potential dilutive impact of such grants on our shareholders, the individual s position with us, the appropriate allocation of such grants based on past and projected individual and corporate performance and the level of grants awarded by our peers to similarly situated executives.

In 2017, long-term incentive awards were delivered to the NEOs, other ZET members and approximately 180 other senior leaders generally through a mix of one-third each of stock options, RSUs and performance award units. We believe that the mix of stock options (which have value only if there is an increase in the value of our stock), RSUs (which focus our executives on sustained growth) and performance award units (which reward the company s executives in alignment with the relative return in our shareholders investment in the company over the three-year performance period) that was delivered in 2017 supports our pay-for-performance objective by tying executive awards to shareholder value accretion. Long-term incentive awards were delivered to other eligible Zoetis employees generally through RSUs.

Table of Contents

LTI awards vest in full on the third anniversary of the date of grant, assuming continued employment through the vesting date and, in the case of performance award units, subject to the company s total shareholder return over the three-year performance period relative to the total shareholder return of the S&P 500 Group. For all LTI awards, earlier vesting may occur in connection with certain termination conditions, such as retirement, death, disability, restructuring, change in control, etc., that are generally aligned with market practice.

The three forms of LTI awards granted to our senior leaders, including the NEOs, are described below.

Stock Options	Objectives
We view stock options as a form of long-term incentive that focuses and rewards executives for increasing our stock price. If the stock price does not increase from the level at the date of the grant, the stock options will have no value to the executives.	Encourage our executives to focus on decisions that will lead to increases in the stock price for the long term Retain executive talent, since executives generally must remain with the company for three years following the date of the grant before they can exercise the stock options (with exceptions for certain terminations of employment), and the options have a ten-year term from the date of the grant

Restricted Stock Units	Objectives
RSUs provide executives with the right to receive shares of our stock at the end of the three-year cliff-vesting period, generally subject to continued employment (with exceptions for certain terminations of employment). Dividend equivalents are applied to outstanding RSUs and are paid out in shares of our stock at the same time the associated RSUs are paid out.	Align the interests of executives with those of shareholders over the vesting period Retain executive talent Encourage stock ownership by delivering shares upon settlement

Performance Award Units	Objectives
We award performance award units to enhance the alignment of executive pay with the value created for our shareholders. Performance award units provide executives with the right to receive shares of our stock after the end of the three-year performance vesting period. The number of shares paid, if any, is generally subject to continued employment (with exceptions for certain terminations of employment) and the company s total shareholder return over the performance period relative to the S&P 500 Group. Dividend equivalents are applied to outstanding performance award units and are paid out in shares of our stock at the same time the associated performance award units are paid.	Align the interests of executives with those of shareholders over the performance vesting period Retain executive talent, as performance awards provide an opportunity for higher rewards when the company s total shareholder return results exceed the median of the S&P 500 Group Encourage stock ownership by delivering shares upon settlement in accordance with the company s relative total shareholder return results

The performance award unit vesting schedule is as follows:

If the company s TSR for the 2017-2019 performance period is:	The number of shares of stock that will vest is:
Below the 25th percentile of the S&P 500 Group	Zero
At the 25th percentile of the S&P 500 Group	50% of the target number of units
At the 50th percentile of the S&P 500 Group	100% of the target number of units
At or above the 75th percentile of the S&P 500 Group	200% of the target number of units

The number of shares that vest and are paid is determined by linear interpolation when the company s total shareholder return is between the 25th and 50th or between the 50th and 75th percentiles of the S&P 500 Group.

Table of Contents

EXECUTIVE COMPENSATION

NEO LTI DECISIONS

Our NEOs typically receive equity-based grants as part of our annual grant of long-term incentive awards which occurs during the first quarter of each year. The following table sets forth the long-term incentive awards delivered to our NEOs in 2017. In determining the number of shares underlying each applicable award, the value of RSUs is divided by the grant date closing price of Zoetis common shares, the option value is divided by the Zoetis Black-Scholes value as of the grant date and the performance award unit value is divided by the Zoetis Monte Carlo simulation value as of the grant date (in each case, the number of underlying shares is rounded down to the nearest whole number).

		Value of Awards:			Number of Shares Underlying Awards:		
NEO	**Total LTI Value**	**Stock Options**	**RSUs**	**Performance Award Units**	**Stock Options**	**RSUs**	**Performance Award Units**
Juan Ramón Alaix	$ 7,300,000	$ 2,433,333	$ 2,433,333	$ 2,433,333	170,163	44,226	32,758
Glenn C. David	$ 1,400,000	$ 466,667	$ 466,667	$ 466,667	32,634	8,481	6,282
Kristin C. Peck	$ 1,400,000	$ 466,667	$ 466,667	$ 466,667	32,634	8,481	6,282
Clinton A. Lewis, Jr.	$ 1,400,000	$ 466,667	$ 466,667	$ 466,667	32,634	8,481	6,282
Catherine A. Knupp	$ 1,400,000	$ 466,667	$ 466,667	$ 466,667	32,634	8,481	6,282

RETIREMENT BENEFITS

Our NEOs receive retirement benefits through Zoetis U.S. Savings Plan. The Savings Plan is a tax-qualified 401(k) savings plan available to all eligible U.S. employees. Participants may elect to contribute up to 60% of their salary and annual incentive payment to the Savings Plan, subject to Internal Revenue Code (IRC) limitations. We match 100% of the employee contribution, up to 5% of each eligible employee s pay. We may also contribute a discretionary profit-sharing amount of up to 8% of each eligible employee s pay (subject to IRC limitations). For 2017, we contributed 4.0% of each eligible employee s pay (including the NEOs) as a profit sharing contribution.

To the extent the IRC limitations are exceeded, our Zoetis Supplemental Savings Plan is a non-qualified deferred compensation plan that makes up for amounts that would otherwise have been contributed to the Savings Plan but could not be contributed due to IRC limitations on the amount of compensation that may be taken into account under a tax-qualified plan ($270,000 for 2017). Eligible employees, including all of our NEOs, may elect to defer up to 30% of the amount by which their salary and annual incentive payment exceeds this compensation limit. We match these deferrals at the same rate as under the Savings Plan, i.e., 100% match up to 5% of pay. In addition, our NEOs and certain other executives may elect to defer up to an additional 60% of the amount of their annual incentive payment that is over the IRC 401(a)(17) limit. We do not match these additional deferrals. If an employee s profit sharing contribution to the Savings Plan is limited by the compensation or contribution limit, the portion that the employee was not able to receive in the Savings Plan is credited to the employee s account in the Zoetis Supplemental Savings Plan.

Table of Contents

EXECUTIVE COMPENSATION

SEVERANCE

The Zoetis Executive Severance Plan covers our NEOs, ZET members and certain other executives (currently 12 employees). We do not maintain individual employment agreements with our executives (other than agreements that are required or customary for executives outside of the U.S.). The plan provides for payment of severance benefits in the event of an involuntary termination of employment (other than for Cause[5]) that is not in connection with a Change of Control[5], and a higher level of benefits in the event of an involuntary termination of employment (other than for Cause) or a termination for Good Reason[5] that occurs upon or within 24 months following a Change of Control. The amounts payable under the plan are shown below.

	Severance (Base Salary)	Continued Health and Life Insurance (at active employee cost)	Annual Incentive
Non-Change of Control Severance:			
CEO	18 months	12 months	1.5x target
Other Participants	12 months	12 months	1x target
Change of Control Severance:			
CEO	30 months	18 months	2.5x target

Other Participants	24 months	18 months	2x target

The salary payments are made as salary continuation in the case of a non-Change of Control severance, and in a lump sum in the case of a Change of Control severance. The annual incentive payments are made in a lump sum under both circumstances. In addition to the benefits reflected in the table, we provide outplacement services to plan participants. All benefits under the plan are subject to the participant s execution of a general release of all claims against the company.

PERQUISITES

We maintain a policy prohibiting traditional perquisites of employment (as determined by our Board of Directors) for our employees, including our NEOs. However, the company does provide certain benefits to employees serving outside of their home country at the company s request, including our NEOs, pursuant to our international assignment policy, which benefits fall into the category of perquisites or other personal benefits under applicable SEC rules. Certain benefits of this type provided to Mr. Lewis in connection with his international assignment are included in the Summary Compensation Table under the heading All Other Compensation .

CORPORATE GOVERNANCE POLICIES

STOCK OWNERSHIP REQUIREMENTS

Our stock ownership guidelines encourage our NEOs to own and maintain a substantial stake in the company. Our guidelines are established as a multiple of each executive s base salary. In assessing compliance with the guidelines, we count stock held outright, unvested restricted stock or RSUs, unvested performance award units and stock held in benefit plans. Our stock ownership guidelines are as follows:

Mr. Alaix: 5 times base salary

All other ZET members, including our NEOs: 3 times base salary

A Zoetis executive must achieve the guidelines before he or she can sell any stock acquired upon the exercise of options or the vesting of other awards, other than stock sold to satisfy the exercise price of stock options or taxes due upon the exercise of options or the vesting or settlement of other awards. Our NEOs (and all other ZET members) have five years from the establishment of the guidelines in 2013 to achieve the stock ownership requirements. Newly hired employees and employees newly appointed to the ZET will have five years from the date of hire or appointment, as applicable, to achieve the stock ownership requirements. As of the last annual measurement date, all our NEOs have met the stock ownership requirements.

[5] *Cause , Change of Control and Good Reason are as defined in the Zoetis Executive Severance Plan.*

Table of Contents

EXECUTIVE COMPENSATION

ANTI-HEDGING AND ANTI-PLEDGING POLICIES

Zoetis maintains a policy prohibiting any of our directors or employees, including the NEOs, from hedging their ownership in shares of our common stock or other equity-based interests in our company, including by engaging in short sales or trading in derivative securities relating to our common stock. Zoetis also maintains a policy prohibiting any of our directors or employees, including the NEOs, from pledging Zoetis shares as collateral for loans or for any other purpose.

CLAW-BACK POLICY

Zoetis maintains a claw-back policy under which the Committee shall, to the extent permitted by law, make retroactive adjustments to any cash-based or equity-based incentive compensation paid to employees, including our NEOs, where the payment was predicated upon the achievement of specified financial results that are the subject of a subsequent restatement, or where employees were found to have altered financial or operational results used to determine award values. Additionally, our claw-back policy includes recoupment due to willful misconduct or gross negligence which caused or might reasonably be expected to cause significant business or reputational harm to the company. The intent of the policy is to enable the company to recover any amount determined by the Committee to have been inappropriately received by the employee.

COMPENSATION RISK ASSESSMENT

In 2017, the Committee considered whether the company s compensation policies and practices for its employees, including the NEOs, create risks that are reasonably likely to have a material adverse effect on the company.

In evaluating a compensation risk assessment that was conducted by Willis Towers Watson, the Committee s independent executive compensation consultant, the Committee considered the following:

- The mix of cash and equity compensation, which is balanced with a strong emphasis on long-term awards;
- Goals and objectives of the company s compensation programs, reflecting both quantitative and qualitative performance measures and avoiding excessive weight on a single performance measure;
- The design of the company s sales incentive plans, to ensure the mix of fixed and variable compensation promotes appropriate behaviors among participants;
- Equity compensation granted in the form of stock options, restricted stock units and performance award units to provide greater incentive to create and preserve long-term shareholder value;

Regular review of comparative compensation data to maintain competitive compensation levels in light of the company s industry, size and performance;

The company s minimum stock ownership guidelines, which ensure that executive officers have a meaningful direct ownership stake in the company and align executive officers with long-term shareholder interests;

The company s restrictions on engaging in hedging transactions in the company s securities; and

The company s claw-back policy.

Based on its evaluation in 2017, the Committee has determined, in its reasonable business judgment, that the company s compensation policies and practices as generally applicable to its executive officers and employees do not create risks that are reasonably likely to have a material adverse impact on the company and instead promote behaviors that support long-term sustainability and shareholder value creation.

TAX DEDUCTIBILITY OF NEO COMPENSATION

Section 162(m) of the IRC has historically disallowed a federal income tax deduction to public companies for compensation greater than $1 million paid in any tax year to covered executive officers unless the compensation meets the requirements of the qualified performance-based compensation exemption under that section. As discussed

Table of Contents

below, recent legislation has eliminated the qualified performance-based compensation exemption for tax years after 2017. As a general matter, while the Committee considers tax deductibility as one of several relevant factors in determining compensation, it retains the flexibility to design and maintain executive compensation arrangements that it believes will attract and retain executive talent, even if such compensation is not deductible by the company for federal income tax purposes.

In 2017 and in prior years, certain of our compensation and benefit plans were designed to permit us to grant awards that could qualify for the qualified performance-based compensation exemption; however, as noted above, this exemption was eliminated by recent tax legislation, effective for taxable years beginning after December 31, 2017. The legislation also expanded the group of executives covered by Section 162(m). Therefore, we expect that compensation paid to our covered executive officers in excess of $1 million in 2018 and later tax years will not be deductible by the company unless it qualifies for limited transition relief that applies to certain arrangements in place as of November 2, 2017. Because of uncertainties in the application and interpretation of Section 162(m), and the absence at this juncture of regulatory guidance on the scope of the transition relief, no assurance can be given that awards paid in 2018 and later years that were originally intended to qualify for the qualified performance-based compensation exemption, or that were otherwise expected to be deductible prior to the recent tax legislation, will in fact be deductible. The Committee believes that the tax deduction limitation imposed by Section 162(m) should not be permitted to compromise the ability to design and maintain executive compensation arrangements that will attract and retain executive talent. Accordingly, achieving the desired flexibility in the design and delivery of compensation may result in compensation that is not deductible for federal income tax purposes.

Table of Contents

EXECUTIVE COMPENSATION

REPORT OF THE COMPENSATION COMMITTEE

The Zoetis Compensation Committee has reviewed and discussed with management the preceding Compensation Discussion and Analysis contained in this proxy statement. Based on its review and discussions with management, the Zoetis Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the company s proxy statement on Schedule 14A filed with the SEC.

THE COMPENSATION COMMITTEE

Robert W. Scully, Chair

Paul M. Bisaro

Sanjay Khosla

Gregory Norden

Louise M. Parent

Table of Contents

EXECUTIVE COMPENSATION TABLES

The following tables summarize our NEO compensation:

1. **Summary Compensation Table.** The Summary Compensation Table summarizes the compensation earned by our NEOs for the fiscal years ended December 31, 2017, 2016 and 2015, including salary earned, annual incentive plan awards, the aggregate grant date fair value of equity-based incentive awards granted to our NEOs and all other compensation paid to our NEOs.

2. **2017 Grants of Plan-Based Awards Table.** The 2017 Grants of Plan-Based Awards Table summarizes all grants of plan-based awards made to our NEOs during the fiscal year ended December 31, 2017.

3. **Outstanding Equity Awards at 2017 Fiscal Year-End Table.** The Outstanding Equity Awards at 2017 Fiscal Year-End Table summarizes the outstanding equity-based incentive awards held by our NEOs as of December 31, 2017.

4. **2017 Option Exercises and Stock Vested Table.** The 2017 Option Exercises and Stock Vested Table summarizes our NEOs option exercises and equity-based award vesting during the fiscal year ended December 31, 2017.

5. **2017 Non-Qualified Deferred Compensation Table.** The 2017 Non-Qualified Deferred Compensation Table summarizes the activity during 2017 and account balances under our Supplemental Savings Plan as of December 31, 2017.

6. **Potential Payments upon Employment Termination Table.** The Potential Payments upon Employment Termination Table summarizes payments and benefits that would be made to our NEOs in the event of certain employment terminations, assuming such terminations occurred on December 31, 2017.

Table of Contents

EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

Name	Year	Salary ($)	Bonus ($)	Stock Awards[1] ($)	Option Awards[2] ($)	Non-Equity Incentive Plan Compensation[3] ($)	All Other Compensation[4] ($)	Total ($)
Juan Ramón Alaix	2017	1,190,000		4,866,579	2,433,331	1,750,000	288,859	10,528,769
Chief Executive Officer	2016	1,150,000		4,199,957	2,099,994	1,720,000	296,675	9,466,626
	2015	1,115,000		3,733,253	1,866,663	1,705,393	261,878	8,682,187
Glenn C. David	2017	596,250	150,000[5]	933,252	466,666	550,041	101,388	2,797,597
Executive Vice President and	2016	483,030		608,223	516,651	526,676	73,526	2,208,106
Chief Financial Officer	2015	410,500	75,000	179,943	89,999	291,000	64,145	1,110,587
Kristin C. Peck	2017	655,000	300,000[5]	933,252	466,666	599,440	112,245	3,066,603
	2016	636,375		899,958	449,995	568,856	119,499	2,674,683

Executive Vice President and President of U.S. Operations	2015	625,500		866,622	433,330	582,341	112,886	2,620,679
Clinton A. Lewis, Jr.	2017	655,000	300,000[5]	933,252	466,666	607,060	1,485,268	4,447,246
Executive Vice President and	2016	630,054		799,972	399,998	571,303	966,604	3,367,931
President of International Operations	2015	558,943		666,639	333,330	512,587	277,016	2,348,515
Catherine A. Knupp	2017	582,500	300,000[5]	933,252	466,666	534,245	99,895	2,916,558
Executive Vice President and	2016	525,027		733,301	366,663	474,940	93,299	2,193,230
President of R&D	2015	499,625		666,639	333,330	453,923	88,850	2,042,367

(1) The amounts shown in the Stock Awards column represent the aggregate grant date fair values for the Restricted Stock Units (RSUs) and the performance award units granted by Zoetis in 2017, 2016 and 2015, determined in accordance with FASB ASC Topic 718 based on the assumptions and methodologies set forth in Note 14 to Zoetis 2017 Annual Report on Form 10-K, filed with the SEC on February 15, 2018 (the 2017 10-K). Further information regarding the 2017 awards is included in the 2017 Grants of Plan-Based Awards Table and the Outstanding Equity Awards at 2017 Fiscal Year-End Table. With respect to the performance award units granted by Zoetis in 2017, 2016 and 2015, the amounts included in the Stock Awards column of the Summary Compensation Table above represent the target payout at the grant date based upon the probable outcome of the performance conditions. The table below shows the amount of the target payout value at the grant date and the maximum value at the grant date

assuming that the highest performance conditions would be achieved for each of the performance award units granted in 2017.

Name	Performance Award Unit Grants in 2017 Grant Date Target Payout ($)	Maximum Value at Grant Date ($)
Juan Ramón Alaix	2,433,264	4,866,528
Glenn C. David	466,627	933,254
Kristin C. Peck	466,627	933,254
Clinton A. Lewis, Jr.	466,627	933,254
Catherine A. Knupp	466,627	933,254

(2) The amounts shown in the Option Awards column represents the aggregate grant date fair values of long-term incentive awards granted to the NEOs by Zoetis in 2017, 2016 and 2015, determined in accordance with FASB ASC Topic 718 based on the assumptions and methodologies set forth in Note 14 to the 2017 10-K. Further information regarding the 2017 awards is included in the 2017 Grants of Plan-Based Awards Table and the Outstanding Equity Awards at 2017 Fiscal Year-End Table.

(3) The amounts shown in the Non-Equity Incentive Plan Compensation column represent annual cash incentive awards earned by the NEOs under the Zoetis Annual Incentive Plan for 2017, 2016 and 2015.

Table of Contents

(4) The following table sets forth the component amounts presented in the All Other Compensation column above for the year ended December 31, 2017:

Name	Company Contributions Under the Zoetis Savings Plan (i) ($)	Company Contributions Under the Zoetis Supplemental Savings Plan (ii) ($)	International Assignment (iii) ($)	Other (iv) ($)	All Other Compensation ($)
Juan Ramón Alaix	10,800	248,331		29,728	288,859
Glenn C. David	23,400	76,737		1,251	101,388
Kristin C. Peck	24,300	85,813		2,132	112,245
Clinton A. Lewis, Jr.	24,300	86,033	1,371,864	3,071	1,485,268
Catherine A. Knupp	24,300	70,749		4,846	99,895

(i) The amounts shown in this column represent the sum of profit sharing and matching contributions under the Zoetis Savings Plan (ZSP), a tax-qualified retirement savings plan. Under the terms of the ZSP, the company

will match up to 5% of salary compensation contributed by each employee, subject to limitations under the Internal Revenue Code of 1986, as amended (IRC). The company contribution to the ZSP for Mr. Alaix and Mr. David are lower than that of the other NEOs because they reached IRC limits for contributions to the ZSP.

(ii) The amounts shown in this column represent the sum of profit sharing and matching contributions under the Zoetis Supplemental Savings Plan (ZSSP). The ZSSP is discussed in more detail in the 2017 Non-Qualified Deferred Compensation Table.

(iii) In connection with his role of President of International Operations, Mr. Lewis was on assignment in Ireland throughout 2017. This assignment was at the company s request and Mr. Lewis received benefits in line with those that are generally available to all Zoetis employees serving in international assignments. In 2017 these benefits included $184,101 for housing and living costs, $87,383 for relocation services in Ireland, $20,600 for education for his children residing with him and taxes of $1,079,780 paid by the company for benefits related to his assignment.

(iv) The amounts shown in this column include the imputed income related to Zoetis group term life insurance coverage in excess of $50,000.

(5) These NEOs were awarded a one-time cash payment to recognize their contributions to the successful completion of the company s Business Review.

Table of Contents

EXECUTIVE COMPENSATION

2017 GRANTS OF PLAN-BASED AWARDS TABLE

The following table provides additional information about non-equity incentive awards and equity incentive awards granted to our NEOs during the fiscal year ended December 31, 2017. All stock options, RSUs and performance award units granted to our NEOs in 2017 were granted under the 2013 Equity and Incentive Plan and the applicable award agreements. See the discussion under the heading Long-Term Incentives in the CD&A for further information about these stock options, RSUs and performance award units.

Award	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards[1]			Estimated Future Payouts Under Equity Incentive Plan Awards[2]			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	E
		Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)			
Annual Incentive		0	1,458,500	2,917,000						
Stock Options [5]	2/14/2017								170,163	
Restricted Stock Units [5]	2/14/2017							44,226		
Performance Award Units [6]	2/14/2017				0	32,758	65,516			
Annual Incentive		0	462,375	924,750						
Stock Options [5]	2/14/2017								32,634	
Restricted Stock Units [5]	2/14/2017							8,481		
Performance Award Units [6]	2/14/2017				0	6,282	12,564			

	Annual Incentive		0	508,000	1,016,000					
	Stock Options [5]	2/14/2017								32,634
	Restricted Stock Units [5]	2/14/2017							8,481	
	Performance Award Units [6]	2/14/2017				0	6,282	12,564		
Jr.	Annual Incentive		0	508,000	1,016,000					
	Stock Options [5]	2/14/2017								32,634
	Restricted Stock Units [5]	2/14/2017							8,481	
	Performance Award Units [6]	2/14/2017				0	6,282	12,564		
op	Annual Incentive		0	452,750	905,500					
	Stock Options [5]	2/14/2017								32,634
	Restricted Stock Units [5]	2/14/2017							8,481	
	Performance Award Units [6]	2/14/2017				0	6,282	12,564		

(1) These amounts represent the threshold, target and maximum non-equity incentive plan awards under the Zoetis Annual Incentive Plan for 2017.

(2) These amounts represent the threshold, target and maximum share payouts under our performance award unit program for the performance period beginning January 1, 2017 and ending December 31, 2019. The payment for threshold performance is 0%. The target payout is equal to 100% of the granted units and represents the number of performance award units that may be earned for achieving the target level of the performance goal. The maximum payout is 200% of the target number of performance award units and represents the number of performance award units that may be earned for achieving the maximum level of the performance goal. Dividend equivalent units are accrued through the payout date and increase the target number of performance award units.

(3) The exercise price of the stock options is the closing price of the company s stock on the grant date.

(4) The amounts shown in this column represent the award values as of the grant date, computed in accordance with FASB ASC Topic 718 based on the assumptions and methodologies set forth in Note 14 to the 2017 10-K. The stock options are shown using a Black-Scholes value of $14.30 on the grant date, the RSUs are shown using the company s grant date closing stock price of $55.02, and the performance award units are shown using a Monte

Carlo simulation model value of $74.28 on the grant date. For each NEO, the target grant date values of the stock option, RSU and performance award unit grants were intended to be equally weighted; however, there are slight differences in value due to rounding down upon the conversion from dollar values to a whole number of options or units using the grant date values.

(5) These Zoetis stock option and RSU awards are subject to three-year cliff vesting and vest 100% on the third anniversary of the grant date.

(6) These performance award units are subject to three-year cliff vesting and are earned based on achievement of a performance goal measured over a three-year performance period beginning January 1, 2017 and ending December 31, 2019. The performance goal is based on the company s TSR results as compared to the TSR results of the companies comprising the S&P 500 Group. The number of shares paid under these performance award units, if any, ranges from 0% to 200% of the target number of shares (including accrued dividend equivalent units) and depends upon the extent to which the performance goal is achieved, as determined by the Committee after the end of the performance period.

Table of Contents

OUTSTANDING EQUITY AWARDS AT 2017 FISCAL YEAR-END TABLE

The following table summarizes the Zoetis equity-based long-term incentive awards made to our NEOs that were outstanding as of December 31, 2017.

	Option Awards					Stock Awards			
ne	Grant Date	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)(1)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(1)(2)	Market Value of Shares or Units of Stock That Have Not Vested ($)(3)	Equity Incentive Plan Awards: Number of Unearned Shares, Units, or Other Rights That Have Not Vested (#)(2)(4)	Equi Incentive Award Marke Payo Valu of Unear Share Unit or Oth Righ Tha Have Vest ($)(3
n Ramón Alaix[7]	1/31/2013	285,306		26.00[5]	1/31/2023				
	3/4/2014	312,109		30.89	3/3/2024				
	2/27/2015		159,954	46.09	2/26/2025	101,702[6]	7,326,612		
	2/19/2016		187,667	41.83	2/18/2026	50,864	3,664,243	42,383	3,053,
	2/14/2017		170,163	55.02	2/13/2027	44,456	3,202,610	32,928	2,372,
n C. David	3/4/2014	16,385		30.89	3/3/2024				
	2/27/2015		7,712	46.09	2/26/2025	4,903[6]	353,212		
	2/19/2016		8,191	41.83	2/18/2026	2,220	159,929	1,850	133,

	8/22/2016		21,301	51.23	8/21/2026	5,416	390,169		
	12/6/2016		11,144	50.22	12/5/2026	3,007	216,624		
	2/14/2017		32,634	55.02	2/13/2027	8,525	614,141	6,315	454,
tin C. Peck[7]	1/31/2013	79,885		26.00[5]	1/31/2023				
	3/4/2014	78,651		30.89	3/3/2024				
	2/27/2015		37,132	46.09	2/26/2025	23,609[6]	1,700,792		
	2/19/2016		40,214	41.83	2/18/2026	10,899	785,164	9,082	654,
	2/14/2017		32,634	55.02	2/13/2027	8,525	614,141	6,315	454,
ton A. Lewis, Jr.[7]	1/31/2013	42,796		26.00[5]	1/31/2023				
	3/4/2014	46,816		30.89	3/3/2024				
	2/27/2015		28,563	46.09	2/26/2025	18,161[6]	1,308,318		
	2/19/2016		35,746	41.83	2/18/2026	9,688	697,924	8,073	581,
	2/14/2017		32,634	55.02	2/13/2027	8,525	614,141	6,315	454,
herine A. Knupp[7]	1/31/2013	42,796		26.00[5]	1/31/2023				
	3/4/2014	46,816		30.89	3/3/2024				
	2/27/2015		28,563	46.09	2/26/2025	18,161[6]	1,308,318		
	2/19/2016		32,767	41.83	2/18/2026	8,880	639,715	7,400	533,
	2/14/2017		32,634	55.02	2/13/2027	8,525	614,141	6,315	454,

(1) These Zoetis stock options, RSUs and performance award units are subject to a three-year cliff vesting schedule and vest 100% on the third anniversary of the grant date, and performance award units are earned based on achievement of a performance goal measured over a three-year performance period.

(2) These amounts are rounded to the nearest whole unit and include accrued dividend equivalent units applied after the grant date.

(3) Based on Zoetis closing stock price on December 29, 2017 of $72.04.

(4) These performance award units are subject to three-year cliff vesting and are earned, in the case of awards granted in 2016, based on achievement of a performance goal over a three-year performance period beginning January 1, 2016 and ending December 31, 2018, and in the case of awards granted in 2017, based on achievement of a performance goal over a three-year performance period beginning January 1, 2017 and ending December 31, 2019. Each performance goal is based on the company s TSR results as compared to the TSR results of the companies comprising the S&P 500 Group. The number of shares paid under these performance award units, if any, ranges from 0% to 200% of the target number of shares and depends upon the extent to which the performance goal is achieved, as determined by the Committee after the end of the performance period.

Table of Contents

EXECUTIVE COMPENSATION

(5) Zoetis Initial Public Offering (IPO) stock price on February 1, 2013.

(6) These amounts consist of Zoetis RSUs that remained unvested as of December 31, 2017, and performance award units for which the performance period ended on December 31, 2017 and the level of performance has been determined. The table below shows these amounts for each NEO as of December 31, 2017.

Name	RSUs	Earned Performance Award Units	Total Number of Units that Have Not Vested
Juan Ramón Alaix	41,344	60,358	101,702
Glenn C. David *	1,993	2,910	4,903
Kristin C. Peck	9,597	14,012	23,609
Clinton A. Lewis, Jr.	7,383	10,778	18,161
Catherine A. Knupp	7,383	10,778	18,161

* Mr. David s number of RSUs and earned performance award units are lower than those of other NEOs because he had not yet been appointed CFO at the time these awards were granted.

(7) Certain NEOs were Pfizer employees at the time of Zoetis IPO in February 2013 and continue to hold Pfizer 7-Year Total Shareholder Return Units (TSRUs). These TSRUs generally vest three years from the grant date and are settled on the seventh anniversary of the grant date. The value earned for each TSRU is equal to the difference between the settlement price (the 20-day average of the closing prices of Pfizer common stock ending on the settlement date) and the grant price (the closing price of Pfizer common stock on the date of grant) plus the value

of dividend equivalents accumulated over the term. This value, if any, is converted into shares of Pfizer common stock by dividing it by the settlement price. Pfizer TSRUs outstanding held by our NEOs as of December 31, 2017 are summarized in the schedule below.

	Number of Securities Underlying Outstanding Pfizer TSRUs Vested and Held by Each NEO as of December 31, 2017[a]			
Grant Date	Juan Ramón Alaix	Kristin C. Peck	Clinton A. Lewis, Jr.	Catherine A. Knupp
2/24/2011[b]	35,058	21,966	7,510	7,510
2/23/2012[c]	45,468	19,427	5,942	5,714

(a) Mr. David did not hold Pfizer TSRUs at December 31, 2017 and is not included in this table.

(b) These Pfizer TSRUs have an exercise price of $18.90 and become payable on February 24, 2018.

(c) These Pfizer TSRUs have an exercise price of $21.03 and become payable on February 23, 2019.

Table of Contents

2017 OPTION EXERCISES AND STOCK VESTED TABLE

The following table provides information about the number and value of shares acquired upon vesting of RSUs held by, and exercises of stock options by, our NEOs during 2017.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)[1]
Juan Ramón Alaix[4]			82,862[2]	4,426,488
Glenn C. David			8,673[3]	504,173
Kristin C. Peck[4]			20,880[2]	1,115,410
Clinton A. Lewis, Jr.[4]			12,428[2]	663,904
Catherine A. Knupp[4]			12,428[2]	663,904

(1) The amounts shown in the Value Realized on Vesting column were calculated by multiplying the number of vested RSUs by the Zoetis closing stock price on the vesting date ($53.42 on March 4, 2017 and $62.87 on September 2, 2017).

(2) These RSU awards were granted on March 4, 2014 and vested on March 4, 2017.

(3) Consists of 4,349 RSUs vested on March 4, 2017 (grant date of March 4, 2014) and 4,324 RSUs vested on September 2, 2017 (grant date of September 2, 2014)

(4) Certain NEOs were Pfizer employees at the time of Zoetis IPO in February 2013 and continue to hold Pfizer equity-based long-term incentive awards. The table below shows Pfizer TSRUs that settled in 2017.

	TSRU Awards[(b)]	
Name[(a)]	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($)**
Juan Ramón Alaix	27,667	942,338
Kristin C. Peck	11,821	402,623
Clinton A. Lewis, Jr.	3,616	123,161
Catherine A. Knupp	3,476	118,393

(a) Mr. David does not hold Pfizer equity-based long-term incentive awards and is not included in this table.

(b) These 5-Year Pfizer TSRUs were granted on February 23, 2012, vested on February 23, 2015 and settled in Pfizer stock on February 24, 2017 at the Pfizer closing stock price of $34.06.

Table of Contents

EXECUTIVE COMPENSATION

2017 NON-QUALIFIED DEFERRED COMPENSATION TABLE

The following table summarizes activity during 2017 and account balances in the Zoetis Supplemental Savings Plan (ZSSP) for our NEOs as of December 31, 2017. Amounts for our NEOs who were Pfizer employees at the time of the IPO include prior non-qualified Supplemental Savings Plan balances held by NEOs when they served as executives of Pfizer and transferred to the ZSSP.

Name	Plan[1]	Aggregate Balance at January 1, 2017[2] ($)	Executive Contributions in 2017[3] ($)	Company Contributions in 2017[4] ($)	Aggregate Earnings in 2017[4] ($)	Aggregate Balance as of December 31, 2017 ($)
Juan Ramón Alaix	Zoetis Supplemental Savings Plan	6,473,186	1,325,739	248,331	1,202,984	9,250,240
Glenn C. David	Zoetis Supplemental Savings Plan	426,118	109,437	76,737	119,291	731,583
Kristin C. Peck	Zoetis Supplemental Savings Plan	1,160,145	47,674	85,813	287,305	1,580,937
Clinton A. Lewis, Jr.	Zoetis Supplemental Savings Plan	424,621	57,355	86,033	131,831	699,840
Catherine A. Knupp	Zoetis Supplemental Savings Plan	1,278,793[5]	181,180	70,749	232,791	1,763,513

(1) The key features of the ZSSP are described in the CD&A under Retirement Benefits .

(2) Amounts in this column that were reported in the Summary Compensation Table for the years 2015 and 2016 (combined) are as follows: Mr. Alaix: $2,868,200, Mr. David: $171,167, Ms. Peck: $268,104, Mr. Lewis: $237,862 and Dr. Knupp: $363,190.

(3) Executive contribution amounts shown in this column are included in the Summary Compensation Table for the year 2017.

(4) Company contribution amounts shown in this column include profit sharing and company matching contributions and are reflected in the All Other Compensation column of the Summary Compensation Table. Company contribution amounts under the tax-qualified ZSP are also reflected in the All Other Compensation column of the Summary Compensation Table but not in the table above. Aggregate earnings are not reflected in the Summary Compensation Table.

(5) The Aggregate Balance at January 1, 2017 shown for Dr. Knupp has been restated from the amount shown in the Aggregate Balance as of December 31, 2016 column in the 2016 Non-Qualified Deferred Compensation Table to include an additional amount of $4,033 that was transferred from the ZSP, in compliance with IRC rules and limits.

Table of Contents

POTENTIAL PAYMENTS UPON EMPLOYMENT TERMINATION TABLE

The NEOs are eligible to receive benefits under the Zoetis Executive Severance Plan which provides for payment of severance benefits in the event of an involuntary termination of employment (other than for Cause) that is not in connection with a change in control of the company (CIC) and a higher level of benefits in the event of an involuntary termination of employment (other than for Cause) or a termination for Good Reason that occurs upon, or within 24 months after, a CIC. The amounts payable under the Zoetis Executive Severance Plan are summarized in the CD&A under Severance .

Treatment of long-term incentive awards upon termination of employment is in accordance with the terms of the Equity Plan and the long-term incentive award agreements, as described in the footnotes to the table below.

The following table shows the estimated benefits payable upon a hypothetical termination of employment under the Zoetis Executive Severance Plan and the Equity Plan under various termination scenarios, assuming the applicable termination occurred on December 31, 2017. Payment of severance benefits is contingent upon the execution of a release agreement.

ne	Description	Without Cause: Apart from a Restructuring Event or CIC ($)	Without Cause: Restructuring Event ($)	Without Cause or for Good Reason Upon or Within 24 Months Following a CIC ($)	Death or Disability ($)	Retirement ($)
n Ramón Alaix	Severance	4,050,000[1]	4,050,000[1]	6,750,000[6]		
	Benefits Continuation	16,932[2]	16,932[2]	25,398[7]		
	Outplacement Services	9,000[3]	9,000[3]	9,000[3]		
	Equity Acceleration	18,874,015[4]	23,399,345[5]	30,161,207[8]	30,161,207[9]	18,874,015[1

	TOTAL	22,949,947	27,475,277	36,945,605	30,161,207	18,874,015
nn C. David	Severance	1,080,000[1]	1,080,000[1]	2,160,000[6]		
	Benefits Continuation	22,637[2]	22,637[2]	33,955[7]		
	Outplacement Services	9,000[3]	9,000[3]	9,000[3]		
	Equity Acceleration	[4]	2,673,139[5]	3,906,857[8]	3,906,857[9]	
	TOTAL	1,111,637	3,784,776	6,109,812	3,906,857	
stin C. Peck	Severance	1,188,000[1]	1,188,000[1]	2,376,000[6]		
	Benefits Continuation	13,207[2]	13,207[2]	19,810[7]		
	Outplacement Services	9,000[3]	9,000[3]	9,000[3]		
	Equity Acceleration	[4]	5,073,449[5]	6,438,414[8]	6,438,414[9]	
	TOTAL	1,210,207	6,283,656	8,843,224	6,438,414	
nton A. Lewis, Jr.	Severance	1,188,000[1]	1,188,000[1]	2,376,000[6]		
	Benefits Continuation	22,751[2]	22,751[2]	34,127[7]		

	Outplacement Services	9,000[3]	9,000[3]	9,000[3]		
	Equity Acceleration	[4]	4,355,344[5]	5,645,151[8]	5,645,151[9]	
	TOTAL	1,219,751	5,575,095	8,064,278	5,645,151	
herine A. Knupp	Severance	1,080,000[1]	1,080,000[1]	2,160,000[6]		
	Benefits Continuation	22,472[2]	22,472[2]	33,707[7]		
	Outplacement Services	9,000[3]	9,000[3]	9,000[3]		
	Equity Acceleration	3,331,241[4]	4,199,090[5]	5,448,519[8]	5,448,519[9]	3,331,241[1
	TOTAL	4,442,713	5,310,562	7,651,226	5,448,519	3,331,241

(1) These amounts represent severance payable under the Zoetis Executive Severance Plan, equal to 18 months base salary and target annual incentive for the year of termination for the CEO and equal to 12 months base salary and target annual incentive for the year of termination for the other NEOs, in each case, in the event of the executive s involuntary termination of employment without Cause.

Table of Contents

EXECUTIVE COMPENSATION

(2) These amounts represent the cost of 12 months of active health and life insurance coverage at the levels provided to the applicable named executive officer as of the date of termination of employment and assuming no increase in the cost of coverage.

(3) These amounts represent the program fee for outplacement services for 12 months.

(4) These amounts represent the value of Zoetis long-term incentive awards that vest on the executive s involuntary termination of employment without Cause apart from a CIC or a restructuring event using Zoetis closing stock price of $72.04 on December 29, 2017. Executives that are not retirement-eligible upon termination of employment forfeit their unvested stock options, RSUs and performance award units. Executives that are retirement-eligible at the time of termination of employment receive equity acceleration treatment described under the Retirement column (Mr. Alaix and Dr. Knupp are retirement-eligible on December 31, 2017).

(5) These amounts represent the value of Zoetis long-term incentive awards that vest on the executive s involuntary termination of employment without Cause due to a restructuring event using Zoetis closing stock price of $72.04 on December 29, 2017. Upon termination, unvested stock options fully vest while unvested RSUs and performance award units will vest on a pro rata basis, with payout of performance award units being subject to achievement of performance goals to be determined after the end of the performance period. Stock option awards held for at least one year by retirement-eligible executives (Mr. Alaix and Dr. Knupp are retirement-eligible on December 31, 2017) will continue to vest under the original vesting schedule and have the remaining option term to exercise.

(6) These amounts represent severance payable under the Zoetis Executive Severance Plan, equal to 30 months base salary and target annual incentive for the year of termination for the CEO and equal to 24 months base salary and target annual incentive for the year of termination for the other NEOs, in each case, in the event of the executive s involuntary termination without Cause or for Good Reason upon or within 24 months after a CIC.

(7) These amounts represent the cost of 18 months of active health and life insurance coverage at the levels provided to the applicable named executive officer as of the date of termination of employment and assuming no increase in the cost of coverage.

(8) These amounts represent the value of Zoetis long-term incentive awards that vest upon a qualifying termination following a CIC using Zoetis closing stock price of $72.04 on December 29, 2017. In the event of the executive s involuntary termination of employment without Cause or for Good Reason upon, or within 24 months after, a CIC, all unvested awards will fully vest (performance award units vest at the target level).

(9) These amounts represent the value of Zoetis long-term incentive awards that vest on termination of employment due to death or disability using Zoetis closing stock price of $72.04 on December 29, 2017. In the event of the executive s termination of employment due to death or disability, all unvested awards will fully vest (performance award units vest at the target level).

(10) These amounts represent the value of Zoetis long-term incentive awards that vest on termination of employment due to retirement (Mr. Alaix and Dr. Knupp are retirement-eligible on December 31, 2017) using Zoetis closing stock price of $72.04 on December 29, 2017 (and, with respect to performance award units, assuming achievement of performance goals at the target level). In the event of the executive s termination of employment due to retirement, unvested stock options held for at least one year will continue to vest under the original vesting schedule and have the remaining option term to exercise, while RSUs and performance award units will vest on a pro rata basis, with payout of performance award units being subject to achievement of performance goals to be determined after the end of the performance period. Any awards held prior to the first anniversary of the date of grant will be forfeited in the event of a termination of employment due to retirement.

Table of Contents

EQUITY COMPENSATION PLANS

The following table shows shares reserved for issuance for outstanding awards granted under the company s 2013 Equity and Incentive Plan as of December 31, 2017.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders	7,069,655(1)	$37.10(2)	13,108,937
Equity compensation plans not approved by security holders			
Total	**7,069,655(1)**	**$37.10**	**13,108,937**

(1) Includes 4,905,884 stock options, 73,359 shares underlying deferred stock units (granted in 2013 and 2014 to non-employee directors), 1,662,787 shares underlying RSUs and 427,625 underlying performance award units.

(2) The weighted-average exercise price is only applicable to stock options.

Table of Contents

AUDIT COMMITTEE MATTERS

ITEM 3

RATIFICATION OF APPOINTMENT OF KPMG AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2018

The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the company s independent registered public accounting firm. At least annually, the Audit Committee reviews our accounting firm s qualifications, performance and independence in accordance with regulatory requirements and guidelines in order to determine whether to reappoint such firm as our independent registered public accounting firm.

Based on its review, the Audit Committee has appointed KPMG as our independent registered public accounting firm for the year ending December 31, 2018. The Audit Committee and Board of Directors believe that the continued retention of KPMG as the company s independent registered public accounting firm is in the best interests of the company and its shareholders. KPMG has served as our independent accounting firm continuously since 2013, and also audited our financial statements for 2011 and 2012, when we were wholly owned by Pfizer. We are asking shareholders to ratify the appointment of KPMG for 2018. If shareholders fail to ratify the appointment, the Audit Committee will reconsider the selection of such firm. One or more representatives of KPMG will be present at the Annual Meeting of Shareholders, will be given the opportunity to make a statement if he or she desires to do so, and will be available to respond to appropriate questions.

ITEM 3 RECOMMENDATION: OUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF KPMG AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2018.

KPMG FEES AND SERVICES

The following table sets forth the aggregate fees for professional services billed or to be billed by KPMG for the years ended December 31, 2017 and 2016 for the audits of our financial statements, and fees for other services rendered by KPMG during those periods.

	2017	2016
Audit fees	$9,965,280	$ 14,046,468
Audit-related fees	93,100	137,000
Tax fees	1,263,304	586,700
All other fees		
Total fees	$ 11,321,684	$ 14,770,168

Audit fees consist of fees for professional services for the audit or review of the company s consolidated financial statements and for the audit of internal control over financial reporting, or for audit services that are normally provided by independent auditors in connection with statutory and regulatory filings or engagements, and, in 2017, for the preparation and delivery of comfort letters. Audit fees includes reimbursement for direct out-of-pocket travel and other sundry expenses, which were approximately $300,000 and $400,000 for the years ended December 31, 2017 and 2016, respectively.

Table of Contents

Audit-related fees consist of fees for assurance and related services that are reasonably related to the performance of the audit or review of the company s consolidated financial statements and are not reported under Audit fees, including audits of employee benefit plans, special procedures to meet certain statutory requirements and agreed-upon procedures related to contract compliance.

Tax fees consist primarily of fees for tax advice and planning, and tax compliance including the review and preparation of statutory tax returns and other tax compliance related services.

POLICY ON PRE-APPROVAL OF AUDIT FIRM SERVICES

Consistent with the requirements of the SEC and the Public Company Accounting Oversight Board regarding auditor independence, our Audit Committee is responsible for appointing, setting the compensation of and overseeing the work of the independent registered public accounting firm. In recognition of this responsibility, the Audit Committee established a policy to pre-approve all audit and permissible non-audit services provided by the independent registered public accounting firm.

Prior to engagement of the independent registered public accounting firm for the next year s audit, management submits for Audit Committee approval a list of services and related fees expected to be rendered during that year within each of four categories of services:

Audit services include audit work performed on the financial statements, as well as work that generally only the independent registered public accounting firm can reasonably be expected to provide, including comfort letters, statutory audits and discussions surrounding the proper application of financial accounting and/or reporting standards.

Audit-related services are for assurance and related services that are traditionally performed by the independent registered public accounting firm, including employee benefit plan audits and special procedures required to meet certain regulatory requirements.

Tax services include all services, except those services specifically related to the audit of the financial statements, performed by the independent registered public accounting firm s tax personnel, including tax analysis; assistance with coordination of execution of tax-related activities, primarily in the area of corporate development; support of other tax-related regulatory requirements; and tax compliance and reporting.

All other services are those services not captured in the audit, audit-related or tax categories. The company generally does not request such services from the independent registered public accounting firm.

Prior to engagement, the Audit Committee pre-approves independent registered public accounting firm services within each category, and the fees for each category are budgeted. The Audit Committee requires the independent registered

public accounting firm and management to report actual fees versus the budget periodically throughout the year by category of service. During the year, circumstances may arise when it may become necessary to engage the independent registered public accounting firm for additional services not contemplated in the original pre-approval categories. In those instances, the Audit Committee requires specific pre-approval before engaging the independent registered public accounting firm. The Audit Committee may delegate pre-approval authority to one or more of its members. The member to whom such authority is delegated must report, for informational purposes only, any pre-approval decisions to the Audit Committee at its next scheduled meeting.

All of the services relating to the fees set forth in the table for 2016 and 2017 were pre-approved by our Audit Committee in accordance with the above policy.

Table of Contents

AUDIT COMMITTEE MATTERS

REPORT OF THE AUDIT COMMITTEE

A key role of the Audit Committee is to assist the Board in its oversight of the company s financial reporting, internal controls and audit functions. As set forth in the written charter of the Audit Committee, management of the company is responsible for the preparation, presentation and integrity of the company s financial statements, the company s accounting and financial reporting principles, and internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. The company has a full-time Internal Audit department that reports to the Audit Committee and management. This department is responsible for objectively reviewing and evaluating the adequacy, effectiveness and quality of the company s system of internal control.

The company s independent registered public accounting firm, KPMG LLP (KPMG), is responsible for auditing the company s financial statements in accordance with the standards of the Public Company Accounting Oversight Board (PCAOB), expressing an opinion on the conformity of the consolidated financial statements to U.S. generally accepted accounting principles (U.S. GAAP), and expressing an opinion on the effectiveness of the company s internal controls over financial reporting.

In the performance of its oversight function, the Audit Committee met with KPMG, management and the company s Chief Audit Executive to assure that all were carrying out their respective responsibilities. Both KPMG and the Chief Audit Executive had full access to the Audit Committee, including regular meetings without management present. In addition, the Audit Committee has reviewed and discussed the company s audited financial statements with management and KPMG. The Audit Committee also has discussed with KPMG the matters required to be discussed under the auditing standards of the PCAOB, including the matters required by PCAOB Auditing Standard No. 16. Furthermore, the Audit Committee (i) has received from KPMG the written disclosures and letter required by applicable requirements of the PCAOB regarding KPMG s communications with the Audit Committee concerning independence; (ii) has discussed with KPMG their independence from the company and its management; and (iii) has considered whether KPMG s provision of non-audit services to the company is compatible with maintaining the auditors independence. All audit and non-audit services performed by KPMG must be specifically approved by the Audit Committee or a member thereof.

Based on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors, and the Board has approved, that the company s audited financial statements for the fiscal year ended December 31, 2017, be included in the company s 2017 Annual Report on Form 10-K that was filed with the SEC on February 15, 2018. The Audit Committee also approved the appointment of KPMG as our independent auditors for the fiscal year ending December 31, 2018.

THE AUDIT COMMITTEE

Gregory Norden, Chair

Louise M. Parent

Robert W. Scully

William C. Steere, Jr.

Table of Contents

OWNERSHIP OF OUR COMMON STOCK

STOCK OWNERSHIP TABLES

The tables below show how many shares of Zoetis common stock certain individuals and entities beneficially owned on March 15, 2018. These individuals and entities are (1) owners of more than 5% of the outstanding shares of our common stock, (2) our current directors, (3) the executive officers named in the Summary Compensation Table on page 46 and (4) all current directors and executive officers as a group. A person has beneficial ownership of shares if the person has voting or investment power over the shares or the right to acquire such power within 60 days. Investment power means the power to direct the sale or other disposition of the shares. Each person has sole voting and investment power over the shares unless otherwise described below.

Name of Beneficial Owner	Number of Shares Owned	Percent of Class (%) (1)
5% Beneficial Owners:		
BlackRock, Inc.[2] 55 East 52nd Street New York, NY 10055	38,485,542	7.93%
The Vanguard Group[3] 100 Vanguard Blvd. Malvern, PA 19355	34,726,187	7.15%

(1) Percentages based on 485,384,025 shares outstanding on March 15, 2018.

(2)

Based on a Schedule 13G/A that BlackRock Inc. filed with the SEC on January 23, 2018, which contained information as of December 31, 2017. Such Schedule 13G/A states that BlackRock Inc. has sole voting power with respect to 33,308,757 shares of Zoetis common stock, sole dispositive power with respect to 38,485,542 shares of Zoetis common stock and shared voting and dispositive power with respect to 0 shares of Zoetis common stock.

(3) Based on a Schedule 13G/A that Vanguard Group Inc. filed with the SEC on February 9, 2018, which contained information as of December 31, 2017. Such Schedule 13G/A states that The Vanguard Group has sole voting power with respect to 699,392 shares of Zoetis common stock and sole dispositive power with respect to 33,942,178 shares of Zoetis common stock; and together with its wholly-owned subsidiaries Vanguard Fiduciary Trust Company and Vanguard Investments Australia, Ltd., has shared voting power with respect to 103,622 shares of Zoetis common stock and shared dispositive power with respect to 784,009 shares of Zoetis common stock.

Table of Contents

OWNERSHIP OF OUR COMMON STOCK

Name of Beneficial Owner	Common Stock[1]	Deferred Stock Units[2]	Vested Options[3]	RSUs Vesting Within 60 days[4]	Total
Directors and Named Executive Officers:					
Paul M. Bisaro				3,889	3,889
Frank A. D Amelio	7,568	9,500			17,068
Sanjay Khosla	2,568	9,500			12,068
Michael B. McCallister	12,771	10,269			23,040
Gregory Norden	5,900	10,269			16,169
Louise M. Parent	2,418	9,500			11,918
Willie M. Reed	3,771	4,672			8,443
Linda Rhodes	5				5
Robert W. Scully	3,771	9,500			13,271
William C. Steere, Jr.	8,271	10,269			18,540
Juan Ramón Alaix	96,711		757,369		854,080
Glenn C. David	15,180		24,097		39,277

Kristin C. Peck	48,316		163,668		211,984
Clinton A. Lewis, Jr.	48,710		118,175		166,885
Catherine A. Knupp	35,683		75,379		111,062
Directors and executive officers as a group (19 persons)[5]	372,558	73,480	1,229,696	3,889	1,679,622

(1) Represents shares of our common stock and includes shares held by executive officers in our 401(k) plan.

(2) Represents shares underlying vested deferred stock units and related dividend equivalent units held by non-employee directors, which directors have a right to acquire within 60 days after leaving our Board.

(3) Represents shares underlying vested stock options granted to our executive officers pursuant to the Zoetis Inc. 2013 Equity and Incentive Plan.

(4) Represents shares underlying restricted stock units granted to our directors or executive officers pursuant to the Zoetis Inc. 2013 Equity and Incentive Plan that will vest within 60 days.

(5) The directors and executive officers as a group do not own more than 1% of the total outstanding shares based on 485,384,025 shares outstanding on March 15, 2018.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our directors, executive officers and beneficial owners of 10% or more of our common stock to file reports with the SEC about their ownership of and transactions in our common stock. Based on our records and other information, we believe that all reports that were required to be filed under Section 16(a) during 2017 were timely filed.

Table of Contents

TRANSACTIONS WITH RELATED PERSONS

POLICY CONCERNING RELATED PERSON TRANSACTIONS

Our Board of Directors has adopted a written policy regarding the review, approval and ratification of transactions with related persons. This policy provides that the Board s Corporate Governance Committee will review each transaction, arrangement or relationship in which we are a participant if the amount involved exceeds $120,000 and a related person has a direct or indirect material interest. In general, related persons are our directors and executive officers, shareholders beneficially owning more than 5% of our outstanding stock, and their immediate family members. We refer to such a transaction as a related person transaction.

The policy calls for every proposed related person transaction to be reviewed by the Corporate Governance Committee and, if deemed appropriate, approved by the Committee. The Committee is required to consider all of the relevant facts and circumstances, and to approve only those transactions that, in light of known circumstances, it determines to be in Zoetis best interests. If we become aware of an existing related person transaction which has not been reviewed and approved under the policy, the matter will be referred to the Committee, which will evaluate all available options, including ratification, revision or termination of the transaction.

Any member of the Corporate Governance Committee who has an interest in the transaction being reviewed may not participate in the review but may be counted towards a quorum of the Committee. The Chair of the Committee may review and approve a related person transaction if it is not practical or desirable to delay a review of a transaction until the next meeting of the Committee, and then the Chair will report on the review to the Committee at its next regularly scheduled meeting.

A description of our related person transaction approval policy is available on our website at www.zoetis.com under *About Us Corporate Governance*.

RELATED PERSON TRANSACTIONS

During fiscal year 2017, we did not enter into any related person transactions.

Table of Contents

INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

We are providing this proxy statement to you in connection with the solicitation of proxies by the Zoetis Board of Directors for the 2018 Annual Meeting of Shareholders and for any adjournment or postponement thereof. We mailed our proxy materials on or about April 2, 2018 and filed our proxy materials with the SEC on April 2, 2018.

ANNUAL MEETING INFORMATION

We are holding our 2018 Annual Meeting of Shareholders at 10:00 a.m. Eastern Time on Tuesday, May 15, 2018, at the Hilton Short Hills in Short Hills, New Jersey. We invite you to attend in person.

We do not require tickets for admission to the meeting, but we do limit attendance to shareholders of record on the record date, March 21, 2018, or their proxy holders. Please bring proof of your common stock ownership, such as a current brokerage statement, and photo identification. If you hold shares through a bank, broker, or other nominee (also known as shares held in street name), you must obtain a valid legal proxy, executed in your favor, from the holder of record if you wish to vote those shares at the meeting.

For security reasons, we will not permit cameras, camcorders, videotaping equipment, or other recording devices or audio equipment, or large packages, banners, placards, signs, props, costumes, live animals (other than service animals) or weapons in the meeting. Admission to the 2018 Annual Meeting of Shareholders will be on a first-come, first-served basis.

Only shareholders of record or their valid proxy holders may address the meeting.

We have arranged for a live audio webcast and a replay of our Annual Meeting of Shareholders to be accessible to the general public on the following website: http://investor.zoetis.com/events-presentations. Information from this website is not incorporated by reference into this proxy statement.

HOW TO VIEW PROXY MATERIALS ONLINE

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING TO BE HELD ON MAY 15, 2018

Our Proxy Statement and 2017 Annual Report are available online at www.edocumentview.com/ZTS.

We are furnishing proxy materials to our shareholders primarily via Notice and Access delivery. On or about April 2, 2018, we mailed to our shareholders a notice of Internet availability of proxy materials. This notice contains instructions on how to access our proxy statement and 2017 Annual Report and vote online.

You will not receive a printed, paper copy of our proxy materials unless you request one. If you are a registered shareholder, you may request a paper copy of our proxy materials by calling 1 (866) 641-4276 or by sending an email, with your 15-digit control number in the subject line, to investorvote@computershare.com. If you are a beneficial owner of our shares (as defined below), you may request a paper copy of your proxy materials at www.proxyvote.com, or by calling 1 (800) 579-1639, or by sending an email, with your control number in the subject line, to sendmaterial@proxyvote.com.

Table of Contents

INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

HOW TO VOTE BY PROXY

Your vote is important and we encourage you to vote as soon as possible, even if you plan to attend the meeting in person. You may vote shares that you owned as of the close of business on March 21, 2018, the record date for the 2018 Annual Meeting of Shareholders.

If you own shares registered directly in your name as the shareholder of record, you are a record owner and have the right to give your proxy directly to our vote tabulating agent. You may vote by proxy in the following ways:

By telephone	By calling 1 (800) 652-8683 (toll free) in the United States or Canada	24 hours a day until 4:00 a.m., Eastern Daylight Time, on May 15, 2018
By Internet	Online at www.envisionreports.com/ZTS	24 hours a day until 4:00 a.m., Eastern Daylight Time, on May 15, 2018
By mail	By returning a properly completed, signed and dated proxy card	Allow sufficient time for us to receive your proxy card before the date of the meeting

For telephone and Internet voting, you will need the 15-digit control number included on your notice or on your proxy card or in the e-letter.

If you own shares in street name or in a Zoetis benefit plan, the institution holding the shares is the record owner and you are a beneficial owner of those shares. You will receive voting instructions from your broker, bank, or plan trustee, and you may direct them how to vote on your behalf by complying with their voting instructions. Their instructions will include a control number for telephone and Internet voting, and applicable deadlines.

REVOCATION OF PROXIES

If you own shares registered directly in your name as the shareholder of record, you can revoke your proxy at any time before your shares are voted by:

Submitting a written revocation to our Corporate Secretary at Zoetis Inc., 10 Sylvan Way, Parsippany, NJ 07054;

Submitting a later-dated proxy;

Providing subsequent telephone or Internet voting instructions; or

Voting in person at the meeting.

If you hold your shares in street name, you must contact your broker, bank, or other nominee for specific instructions on how to change or revoke your vote.

Only the latest validly executed proxy that you submit will be counted.

VOTING AT THE MEETING

If you are a shareholder of record and wish to vote your shares in person at the meeting, you should so notify our Corporate Secretary when you arrive at the meeting. If you hold shares in street name and wish to vote your shares in person at the meeting, you must obtain a valid legal proxy, executed in your favor, from the holder of record. To obtain a valid legal proxy, you should contact your bank, broker, or other nominee.

Table of Contents

INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

QUORUM AND REQUIRED VOTE

If a majority of the outstanding shares of our common stock entitled to vote at the meeting are represented, either in person or by proxy, then we will have a quorum and be able to conduct the business of the 2018 Annual Meeting of Shareholders. At the close of business on March 21, 2018, the record date for the 2018 Annual Meeting of Shareholders, 485,110,817 shares of our common stock were outstanding and entitled to vote. Each share is entitled to one vote on each matter to be voted upon at the Annual Meeting of Shareholders. Abstentions and broker non-votes will be counted as present for the purpose of determining whether a quorum is present for the meeting.

The table below describes the vote requirements and the effect of abstentions and broker non-votes, as prescribed under our corporate governance documents and Delaware law, for the election of directors and the approval of the other Items on the agenda for the meeting.

Item	Vote Required	Effect of Abstentions and Broker Non-Votes*
Election of Directors	Majority of the votes cast (i.e., more votes For than Against)	Not considered as votes cast and have no effect on the outcome
Advisory Vote to Approve Our Executive Compensation (Say on Pay)	Majority of the votes cast	Not considered as votes cast and have no effect on the outcome
Ratification of Appointment of KPMG LLP as Our Independent Registered Public Accounting Firm for 2018	Majority of the votes cast	May be considered as votes cast

* *A broker non-vote occurs when a broker submits a proxy but does not vote on an Item because it is not a routine item under New York Stock Exchange rules and the broker has not received voting instructions from the beneficial owner of the shares. Your broker may vote without your instructions only on Item 3 Ratification of Appointment of KPMG LLP as Our Independent Registered Public Accounting Firm for 2018, which is considered a routine matter.*

EFFECT OF NOT CASTING YOUR VOTE

If we have received a proxy specifying your voting choice, your shares will be voted in accordance with that choice.

If you are a registered shareholder and you do not cast your vote, no votes will be cast on your behalf on any of the Items at the Annual Meeting.

If you are a registered shareholder and sign and return a proxy card without specific voting instructions, or if you vote by telephone or via the Internet without indicating how you want to vote, your shares will be voted in accordance with the Board s voting recommendations stated above.

If you hold your shares in street name, you will receive a voting instruction form that lets you instruct your bank, broker, or other nominee how to vote your shares. Under NYSE rules, if you do not provide voting instructions to your broker, the broker is permitted to exercise discretionary voting authority only on routine matters. The only routine item on this year s Annual Meeting agenda is Item 3 Ratification of Appointment of KPMG LLP as Our Independent Registered Public Accounting Firm for 2018. If you hold your shares in street name, and you wish to have your shares voted on all items in this proxy statement, you must complete and return your voting instruction form. **If you do not return your voting instruction form, your shares will not be voted on any Items, except that your broker may vote in its discretion on Item 3.**

Table of Contents

COST OF PROXY SOLICITATION

We will pay the cost of preparing, assembling, printing, mailing and distributing these proxy materials. We will also bear the cost of soliciting votes on behalf of the Board of Directors. Zoetis will provide copies of these proxy materials to banks, brokerage houses, fiduciaries and custodians holding in their names shares of our common stock beneficially owned by others so that they may forward these proxy materials to the beneficial owners. Our directors, officers, or employees may solicit proxies or votes for us in person, or by mail, telephone, or electronic communication. They will not receive any additional compensation for these solicitation activities. We will enlist the help of banks, brokers and other nominee holders in soliciting proxies for the Annual Meeting of Shareholders from their customers who are beneficial owners of our stock and will reimburse those firms for related out-of-pocket expenses. We have retained Saratoga Proxy Consulting, LLC, a professional proxy solicitation firm, to help us solicit proxies. Zoetis expects that it will pay Saratoga Proxy Consulting, LLC its customary fees, estimated to be approximately $15,000 in the aggregate, plus reasonable out-of-pocket expenses incurred in the process of soliciting proxies. Zoetis also has agreed to indemnify Saratoga Proxy Consulting, LLC against certain liabilities relating to or arising out of its engagement.

AVAILABILITY OF VOTING RESULTS

We will disclose the voting results in a Current Report on Form 8-K to be filed with the SEC within 4 business days following the 2018 Annual Meeting of Shareholders.

QUESTIONS

If you have any questions or require any assistance with voting your shares, please contact our proxy solicitor at the telephone numbers or address set forth below:

Saratoga Proxy Consulting, LLC

520 Eighth Avenue, 14th Floor

New York, NY 10018

Call Collect: 212-257-1311

Call Toll-Free: 888-368-0379

Table of Contents

INFORMATION ABOUT SUBMITTING SHAREHOLDER PROPOSALS AND OUR 2019 ANNUAL MEETING

Under our By-laws, shareholders must follow certain procedures to nominate a person for election as a director at an annual or special meeting, or to propose an item of business at an annual meeting. Under these advance notice procedures, shareholders must submit the proposed nominee or item of business by delivering a notice to our Corporate Secretary at our principal executive offices. We must receive the notice within the following deadlines:

- We must receive notice of a shareholder s intention to introduce a nomination or proposed item of business for an annual meeting not less than 90 days but no more than 120 days before the first anniversary of the prior year s meeting. Under this provision, we must receive notice pertaining to the 2019 Annual Meeting no earlier than January 15, 2019, and no later than February 14, 2019.

- However, if we hold the 2019 Annual Meeting on a date that is not within 25 days before or after the anniversary date of the 2018 Annual Meeting, we must receive the notice no later than the close of business on the tenth day after the earlier of the date we first provide notice of the meeting to shareholders or announce it publicly.

- If we hold a special meeting to elect directors, we must receive a shareholder s notice of intention to introduce a nomination no later than the close of business on the tenth day after the earlier of the date we first provide notice of the meeting to shareholders or announce it publicly.

Our By-laws provide that notice of a proposed nomination must include certain information about the shareholder and the nominee, as well as a written consent of the proposed nominee to serve if elected. A notice of a proposed item of business must include a description of the proposed business and the reason for bringing it to the meeting, any material interest of the proposing shareholder in the business and certain other information about the shareholder. In addition, the shareholder making the proposal must be a shareholder of record on both the date such shareholder provides the notice and the record date for the meeting, and either the shareholder or such shareholder s qualified representative must appear in person at the meeting to present the nomination or proposed item of business.

Any notice that is received outside of the window specified above for proposed items of business, or that does not include all of the information required by our By-laws or comply with the other requirements of our By-laws, will not be brought before the meeting.

Additionally, our By-laws contain proxy access provisions to permit eligible shareholders including qualifying groups of up to 20 shareholders that have continuously owned at least 3% of the company s outstanding common stock for at least three years to nominate director nominees constituting up to the greater of two directors or 20% of the number of directors serving on the Board, and have such nominees included in the company s annual meeting proxy materials, provided that the shareholder(s) and the nominee(s) satisfy the requirements specified in our By-laws. Notice of proxy access director nominees must be received by our Corporate Secretary at our principal executive offices not less than 90 days but no more than 120 days before the first anniversary of the prior year s annual meeting. Under this provision, we must receive proxy access nominations notices pertaining to the 2019 Annual Meeting no earlier than January 15, 2019, and no later than February 14, 2019.

Under SEC Rule 14a-8, if a shareholder wants us to include a shareholder proposal in our proxy statement for the 2019 Annual Meeting, our Corporate Secretary must receive the proposal at our principal executive offices no later than December 3, 2018, which is 120 calendar days before the one-year anniversary of the release date of our proxy statement for the 2018 Annual Meeting. If we change the date of our 2019 meeting by more than 30 days from the one-year anniversary of the 2018 meeting, then the deadline is a reasonable time before we print and send our proxy materials for the 2019 meeting. Any such proposal must comply with all of the requirements of SEC Rule 14a-8.

Shareholders should mail all nominations and proposals for our 2019 Annual Meeting to our Corporate Secretary at Zoetis Inc., 10 Sylvan Way, Parsippany, NJ 07054. You may obtain a copy of our By-laws from our Corporate Secretary at the same address. Our By-laws are also available online, as Exhibit 3.2 to our 2015 Annual Report on Form 10-K, which was filed with the SEC on February 24, 2016.

Table of Contents

INFORMATION ABOUT SUBMITTING SHAREHOLDER PROPOSALS AND OUR 2019 ANNUAL MEETING

To reduce costs and be environmentally responsible, we have adopted an SEC-approved procedure called householding. Under this procedure, we may deliver a single copy of the notice of Internet availability of proxy materials and, if applicable, this proxy statement and the Annual Report, to multiple shareholders who share the same address unless we have received contrary instructions from an impacted shareholder at that address. Shareholders who participate in householding will continue to receive separate proxy cards. Upon written or oral request, we will promptly deliver a separate copy of the notice of Internet availability of proxy materials and, if applicable, this proxy statement and the Annual Report, to any shareholder at a shared address to which the company delivered a single copy of any of these documents. If you are a registered shareholder and would like to enroll in this service or receive individual copies of this year s and/or future proxy materials, please contact our Corporate Secretary by mail at Zoetis Inc., 10 Sylvan Way, Parsippany, NJ 07054, or by phone at (973) 822-7000. If you hold shares in street name or in a Zoetis benefit plan, you may contact your brokerage firm, bank, broker-dealer, benefit plan provider, or other similar organization to request information about householding.

Table of Contents

Table of Contents

Table of Contents

Electronic Voting Instructions

Available 24 hours a day, 7 days a week!

Instead of mailing your proxy, you may choose one of the voting methods outlined below to vote your proxy.

VALIDATION DETAILS ARE LOCATED BELOW IN THE TITLE BAR.

Proxies submitted by the Internet or telephone must be received by 4:00 a.m., Eastern Time, on May 15, 2018.

Vote by Internet

Go to **www.envisionreports.com/ZTS**

Or scan the QR code with your smartphone

Follow the steps outlined on the secure website

Vote by telephone

Call toll free 1-800-652-VOTE (8683) within the USA, US territories & Canada on a touch tone telephone

Follow the instructions provided by the recorded message

Using a **black ink** pen, mark your votes with an **X** as shown in

this example. Please do not write outside the designated areas.

q **IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.** q

A Proposals The Board recommends a vote FOR all nominees and FOR Proposals 2 and 3.

+

1. Election of Directors:

	For	Against	Abstain
01 - Sanjay Khosla			
02 - Willie M. Reed			
03 - Linda Rhodes			
04 - William C. Steere, Jr.			

	For	Against	Abstain
2. Advisory vote to approve our executive compensation (Say on Pay).			
3. Ratification of appointment of KPMG LLP as our independent registered public accounting firm for 2018.			

B Non-Voting Items

Change of Address Please print your new address below.

Comments Please print your comments below.

Meeting Attendance Mark the box to the right if you plan to attend the Annual Meeting.

C Authorized Signatures This section must be completed for your vote to be counted. Date and Sign Below

Please sign exactly as name(s) appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, corporate officer, trustee, guardian, or custodian, please give full title.

Date (mm/dd/yyyy) Please print

Signature 1 Please keep signature within the box.

Signature 2 Please keep signature within the box.

date below.

/ /

1 U P X +

02SB5F

Table of Contents

q **IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.** q

Proxy Zoetis Inc.

Notice of 2018 Annual Meeting of Shareholders

Proxy Solicited by Board of Directors for Annual Meeting May 15, 2018

Heidi C. Chen and Katherine H. Walden, or any of them, each with the power of substitution, are hereby authorized to represent and vote the shares of the undersigned, with all the powers which the undersigned would possess if personally present, at the Annual Meeting of Shareholders of Zoetis Inc. to be held on May 15, 2018, or at any postponement or adjournment thereof.

Shares represented by this proxy will be voted by the shareholder. If no such directions are indicated, the Proxies will have authority to vote FOR all nominees and FOR Proposals 2 and 3.

In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the meeting.

(Items to be voted appear on reverse side.)

Table of Contents

Using a **black ink** pen, mark your votes with an **X** as shown in this example. Please do not write outside the designated areas.

q **PLEASE FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.** q

A Proposals The Board recommends a vote FOR all nominees and FOR Proposals 2 and 3.

+

1. Election of Directors:

	For	Against	Abstain
01 - Sanjay Khosla			
02 - Willie M. Reed			
03 - Linda Rhodes			
04 - William C. Steere, Jr.			

	For	Against	Abstain
2. Advisory vote to approve our executive compensation (Say on Pay).			
3. Ratification of appointment of KPMG LLP as our independent registered public accounting firm for 2018.			

B Authorized Signatures This section must be completed for your vote to be counted. Date and Sign Below

Please sign exactly as name(s) appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, corporate officer, trustee, guardian, or custodian, please give full title.

Date (mm/dd/yyyy) Please print date below. / /

Signature 1 Please keep signature within the box.

Signature 2 Please keep signature within the box.

1 U P X +

02SB6B

Table of Contents

q **PLEASE FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.** q

Proxy Zoetis Inc.

Notice of 2018 Annual Meeting of Shareholders

Proxy Solicited by Board of Directors for Annual Meeting May 15, 2018

Heidi C. Chen and Katherine H. Walden, or any of them, each with the power of substitution, are hereby authorized to represent and vote the shares of the undersigned, with all the powers which the undersigned would possess if personally present, at the Annual Meeting of Shareholders of Zoetis Inc. to be held on May 15, 2018, or at any postponement or adjournment thereof.

Shares represented by this proxy will be voted by the shareholder. If no such directions are indicated, the Proxies will have authority to vote FOR all nominees and FOR Proposals 2 and 3.

In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the meeting.

(Items to be voted appear on reverse side.)