

Zoetis Inc.  
Form DEF 14A  
April 01, 2016  
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**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):

- x 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):
  
  
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  - (1) Amount previously paid:
  
  
  - (2) Form, Schedule or Registration Statement No.:
  
  
  - (3) Filing Party:

(4) Date Filed:

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**NOTICE OF  
ANNUAL MEETING  
AND  
PROXY STATEMENT**

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100 Campus Drive

Florham Park, NJ 07932

**NOTICE OF 2016 ANNUAL MEETING OF SHAREHOLDERS**

**MAY 12, 2016 AT 10:00 A.M.**

**HILTON SHORT HILLS**

**41 JOHN F. KENNEDY PARKWAY**

**SHORT HILLS, NEW JERSEY 07078**

Dear Shareholders of Zoetis Inc.:

We are pleased to announce that Zoetis' 2016 Annual Meeting of Shareholders (the "Annual Meeting") will be held on Thursday, May 12, 2016, at 10:00 a.m. Eastern Time at the Hilton Short Hills, 41 John F. Kennedy Parkway, in Short Hills, New Jersey.

**ITEMS OF BUSINESS**

The items of business at the Annual Meeting are to consider and vote upon the following matters:

1. Election of the four director nominees named in the attached proxy statement to hold office as Class III Directors until the 2019 Annual Meeting of Shareholders and until their respective successors are duly elected and qualified, or until their earlier death, resignation or removal;
2. An advisory vote to approve the company's executive compensation;
3. Ratification of the selection of KPMG LLP as the company's independent registered public accounting firm for the fiscal year ending December 31, 2016; and
4. Transaction of such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

**RECORD DATE**

Only shareholders of record as of the close of business on the record date, March 18, 2016, are entitled to receive notice of, and to vote at, the Annual Meeting and any adjournment or postponement thereof.

**MAILING**

We are mailing this proxy statement and the accompanying proxy card on or about April 1, 2016, in connection with the solicitation of proxies on behalf of our Board of Directors.

**PROXY VOTING**

By mail

By telephone

By Internet

We cordially invite all shareholders to attend the Annual Meeting in person. Whether or not you expect to attend the Annual Meeting, we urge you to submit your proxy card in the envelope provided to you, or to use the Internet or telephone method of voting described in your proxy card, so that your shares can be voted at the Annual Meeting in accordance with your instructions. For specific instructions on voting, please refer to the instructions on the proxy card or voting instruction form.

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:

Morrow & Co., LLC

470 West Avenue

Stamford, CT 06902

Call Collect: (203) 658-9400

Call Toll-Free: (855) 289-3516

**It is important that your shares be represented and voted at the Annual Meeting.**

Sincerely yours,

**Heidi C. Chen**

Executive Vice President,

General Counsel and Corporate Secretary

April 1, 2016

**NOTICE REGARDING PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON M**

**Proxy Statement and Annual Report on Form 10-K for the year ended December 31, 2015, are available online at [www.edocur](http://www.edocur)**

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**ZOETIS 2016 PROXY STATEMENT**



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**PROXY SUMMARY**

This summary highlights certain information in this proxy statement. As it is only a summary, please review the complete Proxy Statement and 2015 Annual Report before you vote.

**2015 PERFORMANCE HIGHLIGHTS**

Over the course of 2015, the leadership of Zoetis drove strong operating performance by building on the commercial performance, innovative research and development and high quality supply chain that have been critical to our success. The company also initiated a full-scale review of our business (our Business Review) with the goals of (1) improving our operating margins, (2) reducing complexity that does not add value for our customers or our business, (3) optimizing resource allocation and efficiency, and (4) better positioning Zoetis competitively for long-term profitable growth.

Listed below are some highlights of our 2015 operating performance:

As discussed under Compensation Discussion and Analysis 2015 Compensation Programs and Decisions Company 2015 Performance below, our strong revenue, adjusted net income and earnings per share (EPS) performance drove funding of our annual cash incentive plan above the target level.

- i **Revenues.** For full year 2015, reported revenue was \$4.8 billion, and we delivered 8% operational<sup>2</sup> growth in revenue, excluding foreign exchange. We saw strong operational revenue growth in the United States, as well as in Brazil, China and the United Kingdom, with strong contributions from livestock, driven by our cattle and swine portfolios. In companion animal, we saw very strong operational revenue growth driven by the addition of the assets of Abbott Animal Health and the performance of Apoquel<sup>®</sup> and other key brands.
  
- i **Adjusted Net Income.** Net income for 2015 was \$339 million, and adjusted net income for 2015 was \$889 million, reflecting an increase of 13% over 2014. As part of our long-term value proposition, we continued to grow adjusted net income faster than revenue, demonstrating our focus on long-term profitable growth.
  
- i **EPS.** Reported diluted EPS for 2015 was \$0.68 per diluted share, and adjusted diluted EPS<sup>1</sup> for 2015, which excludes 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, was \$1.77 per diluted share, an increase of 13% over 2014.

**Value-Added Investment Opportunities.** In 2015, our Research & Development (R&D) team received approximately 200 approvals which include new products, geographical expansions of existing products, new indications and new formulations of medicines, vaccines and diagnostics. These R&D results support our

diverse global portfolio through new product and lifecycle innovation applied to approximately 300 existing product lines, all to ensure our future revenue growth and market leadership.

**Acquisitions.** In 2015, we completed three acquisitions in line with our goal of pursuing strategically aligned business development opportunities that create shareholder value in the short and long term: (1) Abbott Animal Health, a companion animal health business focused on the veterinary surgical suite, (2) KL Products, a bio-devices business based in Canada, and (3) Pharmaq, an aquatic health business based in Norway. In addition, in late 2015, we signed an asset purchase and manufacturing agreement with Syntex, an Argentinian company focused on core reproductive therapies for livestock.

**Organizational Change and Restructuring.** As a result of our Business Review, in 2015, we made significant changes to the organizational structure of Zoetis and the Zoetis Executive Team ( ZET ). We consolidated from four regions to two (U.S. and International), redefined the Group President role, elevated the Global Manufacturing and Supply ( GMS ) organization to a direct report to the CEO, and eliminated three ZET roles, with no disruption to the business.

<sup>1</sup> *Adjusted net income and adjusted diluted earnings per share (non-GAAP financial measures) are defined as reported net income attributable to Zoetis and reported diluted earnings per share, excluding purchase accounting adjustments, acquisition-related costs and certain significant items. Pages 48 to 51 of our 2015 Annual Report on Form 10-K, filed with the SEC on February 24, 2016, contain a reconciliation of these non-GAAP financial measures to reported results under GAAP for 2015.*

<sup>2</sup> *Operational revenue growth is defined as revenue growth excluding the impact of foreign exchange.*

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**PROXY SUMMARY**

**EXECUTIVE COMPENSATION HIGHLIGHTS**

In 2015, the Compensation Committee of the Board of Directors of Zoetis Inc. (the Committee) expanded from a group of four independent directors to five with the addition of Mr. Paul M. Bisaro. The compensation-related actions taken by the Committee in 2015 include:

**Performance Award Units.** The Committee introduced and awarded performance-vesting restricted stock units ( performance award units ) under the Zoetis Inc. 2013 Equity and Incentive Plan as part of the 2015 annual long-term incentive awards. These performance award units are based on the company's total shareholder return ( TSR ) results as compared to the TSR results of the companies comprising the S&P 500 stock market index as of January 1, 2015, excluding companies that during the performance period are acquired or are no longer publicly traded. The payment of shares under these performance award units ranges from 0% to 200% of the target number of performance award units, depending upon the achievement of pre-determined relative three-year TSR performance goals set at the time of the grant. The introduction of performance award units further supports the alignment between shareholders and executives by strengthening the connection between growing shareholder value and executive rewards.

**Compensation Peer Group.** As part of its annual review of our compensation peer group, and in light of recent merger and acquisition activity in the biopharmaceutical industry, the Committee made several revisions to the company's compensation peer group in order to maintain a robust number of peer companies and a balance of companies across the pharmaceutical, biotechnology, life sciences, and healthcare equipment industries. The revised peer group will be used to guide the Committee in making 2016 compensation decisions.

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**Table of Contents****PROXY SUMMARY****ANNUAL MEETING**

<b>Time and Date</b>	Thursday, May 12, 2016, at 10:00 a.m. EDT
<b>Place</b>	Hilton Short Hills  41 John F. Kennedy Parkway  Short Hills, New Jersey 07078
<b>Record Date</b>	Close of business on March 18, 2016
<b>Voting</b>	Shareholders on the record date are entitled to one vote per share on each matter to be voted upon at the Annual Meeting.
<b>Admission</b>	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.

**ZOETIS 2016 PROXY STATEMENT 3**

**Table of Contents****PROXY SUMMARY****MEETING AGENDA ITEMS****ITEM 1 ELECTION OF DIRECTORS**

You are being asked to elect 4 directors Juan Ramón Alaix, Paul M. Bisaro, Frank A. D Amelio and Michael B. McCallister to hold office until the 2019 Annual Meeting of Shareholders and until their respective successors are duly elected and qualified, or until their earlier death, resignation or removal.

All directors attended at least 75% of the meetings of the Board and Board committees on which they served in 2015.

**SUMMARY INFORMATION ABOUT OUR DIRECTOR NOMINEES AND CONTINUING DIRECTORS**

**Directors whose terms expire at the 2016 Annual Meeting and who are nominees for terms expiring at the 2019 Annual Meeting:**

Name	Age	Director Since	Occupation and Experience	Independent	Board Committees		
					Audit	Comp	Corp Gov
Juan Ramón Alaix	64	2012	CEO, Zoetis Inc.	No			
Paul M. Bisaro	55	2015	Executive Chairman, Allergan plc	Yes			
Frank A. D Amelio	58	2012	EVP, Business Operations, and Chief Financial Officer, Pfizer Inc.	No			
Michael B. McCallister (Board Chair)	63	2013	Former Chairman of the Board and CEO,	Yes			

Humana Inc.

**Directors whose terms expire at the 2017 Annual Meeting:**

Name	Age	Director Since	Occupation and Experience	Independent	Board Committees		
					Audit	Comp	Corp Gov
William F. Doyle*	53	2015	Member, Pershing Square Capital Management L.P.	Yes			
Gregory Norden	58	2013	Managing Director, G9 Capital Group LLC	Yes			
Louise M. Parent	65	2013	Former EVP and General Counsel, American Express Company	Yes			
Robert W. Scully	66	2013	Former member of Office of Chairman, Morgan Stanley	Yes			

**Directors whose terms expire at the 2018 Annual Meeting:**

Name	Age	Director Since	Occupation and Experience	Independent	Board Committees		
					Audit	Comp	Corp Gov
Sanjay Khosla	64	2013	Former EVP, Mondelēz International	Yes			
Willie M. Reed	61	2014	Dean of the College of Veterinary	Yes			

Medicine,  
Purdue  
University

William C. Steere, Jr.	79	2013	Former Chairman and CEO, Pfizer Inc.	Yes
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Chair      Member

**ITEM 1 RECOMMENDATION: OUR BOARD RECOMMENDS THAT YOU VOTE  
FOR THE ELECTION OF THE ABOVE DIRECTOR NOMINEES.**

\* Pursuant to a Letter Agreement between Zoetis Inc. and Pershing Square Capital Management L.P. (Pershing Square), Mr. Doyle's term as a director of Zoetis will expire at the company's 2016 Annual Meeting of Shareholders. The Letter Agreement provides that if Pershing Square desires to have Mr. Doyle remain on the Zoetis Board through the company's 2017 Annual Meeting and delivers appropriate notice to the company to that effect, the Zoetis Board will appoint Mr. Doyle as a Class I director with a term expiring at the 2017 Annual Meeting. The foregoing description of the Letter Agreement is qualified in its entirety by reference to the full text of the Letter Agreement, which was previously filed as Exhibit 99.1 to Zoetis Inc.'s February 4, 2015 Current Report on Form 8-K.

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**PROXY SUMMARY**

**ITEM 2 ADVISORY APPROVAL OF OUR EXECUTIVE COMPENSATION (SAY ON PAY)**

You are being asked to approve, on an advisory basis, our executive officer compensation program as described in 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.

**ITEM 2 RECOMMENDATION: OUR BOARD RECOMMENDS THAT YOU VOTE  
FOR THIS PROPOSAL.**

**ITEM 3 RATIFICATION OF APPOINTMENT OF KPMG LLP AS OUR AUDITORS FOR 2016**

You are being asked to ratify our Audit Committee's appointment of KPMG LLP ( KPMG ) as our independent registered public accounting firm for 2016. KPMG was our auditor in 2015, 2014 and 2013.

The fees paid to KPMG are detailed on page 61.

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 RECOMMENDS THAT YOU VOTE  
FOR THE RATIFICATION OF KPMG AS OUR INDEPENDENT REGISTERED  
PUBLIC ACCOUNTING FIRM FOR 2016.**



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**INFORMATION ABOUT THE ANNUAL MEETING AND VOTING**

We are providing this proxy statement to you in connection with the solicitation of proxies by the Board of Directors of Zoetis Inc. ( we , us , our , the company or Zoetis ) for the 2016 Annual Meeting of Shareholders and for any adjournment or postponement thereof. We mailed our proxy materials on or about April 1, 2016, and filed our proxy materials with the SEC on April 1, 2016.

**ANNUAL MEETING INFORMATION**

We are holding our 2016 Annual Meeting of Shareholders at 10:00 a.m. Eastern Time on Thursday, May 12, 2016, at the Hilton Short Hills in Short Hills, New Jersey, and 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 18, 2016, 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 safety and security purposes, no cameras, camcorders, videotaping equipment, or other recording devices, and no large packages, banners, placards, signs, or weapons will be permitted in the meeting. Since seating may be limited, admission to the Annual Meeting will be on a first-come, first-served basis.

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

We have arranged for a live audio webcast and a replay of our Annual Meeting 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 12, 2016**

Our proxy statement and 2015 Annual Report are available online at [www.edocumentview.com/ZTS](http://www.edocumentview.com/ZTS).

We are furnishing proxy materials to our shareholders primarily via Notice and Access delivery. On or about April 1, 2016, 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 2015 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](mailto: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](http://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](mailto:sendmaterial@proxyvote.com).

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**Table of Contents****INFORMATION ABOUT THE ANNUAL MEETING AND VOTING****HOW TO VOTE**

We encourage you to vote as soon as possible, even if you plan to attend the meeting in person. Your vote is important. You may vote shares that you owned as of the close of business on March 18, 2016, which is the record date for the meeting.

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:

<b>By telephone</b>	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 12, 2016
<b>By Internet</b>	Online at <a href="http://www.envisionreports.com/ZTS">www.envisionreports.com/ZTS</a>	24 hours a day until 4:00 a.m., Eastern Daylight Time, on May 12, 2016
<b>By mail</b>	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.

**REVOCAION 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., 100 Campus Drive, Florham Park, NJ 07932;

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 you must obtain a valid legal proxy, executed in your favor, from the holder of record if you wish to vote these shares at the meeting. You should contact your bank, broker, or other nominee to obtain a legal proxy.

**Table of Contents****INFORMATION ABOUT THE ANNUAL MEETING AND VOTING****ITEMS TO BE VOTED ON AND BOARD RECOMMENDATION**

<b>Item</b>	<b>Board Recommendation</b>
Item 1 Election of 4 Directors	FOR
Item 2 Advisory Vote to Approve Executive Compensation (Say on Pay)	FOR
Item 3 Ratification of KPMG as Auditor for 2016	FOR

The Board of Directors does not intend to bring any matter before the Annual Meeting other than those set forth above, and the Board is not aware of any matters that anyone else proposes to present for action at the meeting. However, if any other matters properly come before the meeting, your proxy gives authority to the designated proxies to vote on such matters in accordance with their best judgment.

**QUORUM AND REQUIRED VOTE**

We will have a quorum and will be able to conduct the business of the Annual Meeting 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. At the close of business on the record date, 496,603,783 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. 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.

<b>Item</b>	<b>Vote Required</b>	<b>Effect of Abstentions and Broker Non-Votes*</b>
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 Executive Compensation (Say on Pay)	Majority of the votes cast	Not considered as votes cast and have no effect on the outcome

effect on the outcome

Ratification of KPMG as Auditor for 2016	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 KPMG as Auditor for 2016, 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 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 New York Stock Exchange ( 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 KPMG as Auditor for 2016. 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.**

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**INFORMATION ABOUT THE ANNUAL MEETING AND VOTING**

**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 from their customers who are beneficial owners of our stock and will reimburse those firms for related out-of-pocket expenses. We have retained Morrow & Co., LLC, a professional proxy solicitation firm, to help us solicit proxies. Zoetis expects that it will pay Morrow & Co. its customary fees, estimated to be approximately \$10,000 in the aggregate, plus reasonable out-of-pocket expenses incurred in the process of soliciting proxies. Zoetis has also agreed to indemnify Morrow & Co. against certain liabilities relating to or arising out of their engagement.

**AVAILABILITY OF VOTING RESULTS**

We expect to announce preliminary voting results at the Annual Meeting. We will disclose the final voting results in a Current Report on Form 8-K to be filed with the Securities and Exchange Commission ( SEC ) following the Annual Meeting.

**ZOETIS 2016 PROXY STATEMENT 9**

**Table of Contents****CORPORATE GOVERNANCE AT ZOETIS****INTRODUCTION**

We were incorporated in July 2012 as a wholly-owned subsidiary of Pfizer. Through a series of transactions, in early 2013 Pfizer transferred to us substantially all of the assets and liabilities of its animal health business. On February 6, 2013, Pfizer completed an IPO of our Class A common stock. After the IPO, Pfizer owned all of our outstanding Class B common stock and no shares of our Class A common stock, giving Pfizer over 80% of the economic interest and the combined voting power in our outstanding common stock. As a result, we were a controlled company under the NYSE corporate governance rules, and as such we were exempt from some of the requirements of those rules.

In May 2013, Pfizer announced an exchange offer through which Pfizer shareholders could exchange a portion of their Pfizer common stock for Zoetis common stock owned by Pfizer. The exchange offer was completed on June 24, 2013, resulting in our full separation from Pfizer. In connection with the separation, all shares of our Class B common stock were converted to shares of our Class A common stock, and we currently have only a single class of common stock outstanding. Pfizer currently owns none of our stock. Under NYSE transition rules for companies that ceased to be controlled companies, our Board was not required to have a majority of independent directors and our Corporate Governance Committee was permitted to have a non-independent member until June 24, 2014, one year after our separation from Pfizer. Since June 24, 2014, the majority of our Board and all of our Committees have been comprised of independent directors.

**KEY CORPORATE GOVERNANCE FEATURES**

<b>Board Independence</b>	<p>9 out of 11 of our directors are independent under NYSE listing standards</p> <p>Our CEO is the only member of management who serves as a director</p> <p>Our other non-independent director is an executive officer of Pfizer, and as such will not be eligible for independent status under NYSE listing standards until the third anniversary of our complete separation from Pfizer, which will occur on June 24, 2016</p>
<b>Independent Board Chair</b>	<p>Our Board Chair, who is elected by the Board annually, is currently an independent director</p>
<b>Board Committees</b>	<p>We have three Board committees: Audit, Compensation, and Corporate Governance</p> <p>All three of our Board committees are composed entirely of independent directors</p>



**Executive Sessions**

Our directors hold regularly scheduled executive sessions, at which directors can discuss matters without management present

Our Board holds an executive session including only independent directors at least once a year

Our Board Chair, who is an independent director, presides over all executive sessions of the Board

**Board Oversight of Risk**

Our Board has ultimate oversight over our risk assessment and risk management

Our Audit Committee oversees our Enterprise Risk Management process, including the risk areas defined under its written charter and the company's internal controls over financial reporting

Our Compensation Committee oversees the management of risks relating to our compensation plans and arrangements

Our Corporate Governance Committee oversees risk associated with potential conflicts of interest, as well as the effectiveness of our Corporate Governance Principles and the Board's compliance with our Code of Business Conduct and Ethics for Members of the Board

Our Board committees regularly report to the full Board regarding their areas of responsibility and oversight

Members of our senior management team regularly report to the full Board on areas of material risk to the company

**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

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**CORPORATE GOVERNANCE AT ZOETIS**

<b>Proxy Access</b>	We have implemented new proxy access provisions permitting eligible shareholders, including qualifying groups of up to 20 shareholders, that have continuously owned at least 3% of our outstanding common stock for at least three years to nominate director candidates constituting up to the greater of two directors or 20% of the number of directors serving on the Board and have them included in our proxy statement
<b>Director Stock Ownership</b>	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
<b>Open Lines of Communication</b>	Our 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
<b>Self-Evaluation</b>	Our Board and each of its committees conducts an annual self-evaluation

**CORPORATE GOVERNANCE PRINCIPLES AND PRACTICES**

**DIRECTOR INDEPENDENCE**

It is the policy of our company, and a requirement under 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, and in some respects exceed, the independence requirements of the NYSE. Our Director Qualification Standards can be found on our website at [www.zoetis.com](http://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, 2015, through February 2, 2015, our Board of Directors consisted of nine directors, seven of whom were determined by our Board to be independent under our Director Qualification Standards and two of whom were not independent under those standards. The independent directors during this period, who continue to serve on our Board, were Louise M. Parent, Willie M. Reed, Sanjay Khosla, Michael B. McCallister, Gregory Norden, Robert W. Scully and William C. Steere, Jr. The non-independent directors during this period, who continue to serve on our Board, were Juan Ramón Alaix and Frank A. D'Amelio. Mr. Alaix is not an independent director because he is employed as the company's CEO, and Mr. D'Amelio is not an independent director because he is an executive officer

of Pfizer, which was a member of Zoetis' consolidated group for financial reporting within the last three years. Under our Director Qualification Standards, Mr. D'Amelio will not be eligible to be an independent director until the third anniversary of our complete separation from Pfizer, which will occur on June 24, 2016.

Messrs. William F. Doyle and Paul M. Bisaro were elected to our Board on February 3, 2015, and April 10, 2015, respectively. Prior to their respective elections, our Board determined that Messrs. Doyle and Bisaro are independent under our Director Qualification Standards.

On February 19, 2016, our Board completed its annual review of director independence and affirmatively determined that Ms. Parent, Dr. Reed and Messrs. Bisaro, Doyle, 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](http://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

**Table of Contents****CORPORATE GOVERNANCE AT ZOETIS**

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 will periodically evaluate our leadership structure and determine whether continuing the separate roles of CEO and Board Chair is in the company's best interest based on circumstances existing at the time.

**BOARD MEETINGS AND COMMITTEES****Director Attendance**

During 2015, our Board met 14 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 2015.

All Board members are expected to attend our Annual Meeting unless an emergency prevents them from doing so. All of our directors attended our 2015 Annual Meeting.

**Board Committee Membership**

Our Board has a standing Audit Committee, Compensation Committee, and Corporate Governance Committee. The written charter of each of our standing committees is available on our website at [www.zoetis.com](http://www.zoetis.com) under About Us Corporate Governance. Each committee has the authority to hire outside advisors at the company's expense.

The following table lists the Chair and current members of each committee.

Name	Committee	
	Independent	Audit Compensation Governance
Juan Ramón Alaix	no	
Paul M. Bisaro	yes	
Frank A. D'Amelio	no	
William F. Doyle	yes	

Sanjay Khosla	yes			
Michael B. McCallister	yes			
Gregory Norden	yes			
Louise M. Parent	yes			
William M. Reed	yes			
Robert W. Scully	yes			
William C. Steere, Jr.	yes			
Number of Meetings in 2015		13	8	4

**Chair**                      **Member**

### **Independence of Committee Members**

All current members of our Audit Committee, Compensation Committee and Corporate Governance Committee are independent under NYSE listing standards and our Director Qualification Standards, and the members of our Audit Committee and Compensation Committee satisfy the additional independence requirements for members of audit and compensation committees.

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**CORPORATE GOVERNANCE AT ZOETIS**

**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. 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 2015, 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.

**Primary Responsibilities of Board Committees**

**Audit Committee.** As set forth in its written charter, the Audit Committee is responsible for the oversight of the integrity of our financial statements and system of internal controls. It has the sole authority and responsibility to select, determine the compensation of, evaluate and, when appropriate, replace our independent audit firm. It oversees the performance of our internal audit function. The Audit Committee reviews reports from management, legal counsel and third parties relating to the status of our compliance with laws, regulations and internal procedures, and oversees our Enterprise Risk Management process, internal controls and financial reporting. Our Board has determined that each member of the audit committee is financially literate, as required by the NYSE. In addition, our Board has determined that Mr. Norden, the Audit Committee Chair, and Mr. Scully each qualifies as an audit committee financial expert as defined in SEC regulations. The Report of the Audit Committee is included on page 63.

**Compensation Committee.** As set forth in its written charter, the Compensation Committee is responsible for reviewing and approving our overall compensation philosophy and overseeing the administration of our compensation and benefit programs, policies and practices. It annually establishes the corporate goals and objectives relevant to the compensation of our CEO, and reviews the goals established by our CEO for our other executive officers, and evaluates their performance in light of these goals. The Compensation Committee recommends to the Board the compensation of our CEO and approves the compensation of our other executive officers. It also administers our incentive and equity-based compensation plans and oversees the management of risks relating to our compensation plans and arrangements. The Report of the Compensation Committee is included on page 38.

**Corporate Governance Committee.** As set forth in its written charter, the Corporate Governance Committee is responsible for matters of corporate governance and matters relating to the practices, policies and procedures of our Board of Directors. It identifies and recommends candidates for election to our Board and recommends the members and Chairs of Board committees. It advises on and recommends director compensation for approval by the Board, and recommends changes in our corporate governance documents. It also administers our policies and procedures regarding related persons transactions.

**BOARD'S ROLE IN RISK OVERSIGHT**

The Board of Directors as a whole and through its committees oversees the company's risk management. Members of senior management regularly report to the Board on areas of material risk to the company. The Board regularly reviews information regarding the company's strategy, finances, operations, legal and regulatory developments, research and development, manufacturing quality and competitive environment, as well as the risks related thereto. The Audit Committee oversees the management of risks related to financial reporting and monitors 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 oversees the management of risks associated with the independence of the Board. 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 leadership and committee structures, allocation of responsibilities and board practices support our efforts to oversee and manage areas of material risk to the company.

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**CORPORATE GOVERNANCE AT ZOETIS**

**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 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.

**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; diversity of experience; leadership ability; record of exercising sound judgment; animal health or veterinary expertise; prior government service; and policy-making experience involving issues affecting business, government, education, and technology, 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. The company does not have a formal policy with respect to diversity, but diversity of experience among the various 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 18, 2016, to be considered for the following 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 77.

Since the initial public offering of our stock in 2013, six directors have been elected to our Board: Sanjay Khosla, Robert W. Scully, Louise M. Parent, Willie M. Reed, William F. Doyle and Paul M. Bisaro. Mr. Khosla was identified as a potential candidate by a third-party search firm, Mr. Scully was identified as a potential candidate by a non-management director, Ms. Parent was identified as a potential candidate by a former director, Dr. Reed was identified as a potential candidate by an executive officer of our company, and Messrs. Doyle and Bisaro were identified as potential candidates by a shareholder.

**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 Chair of our Board or the Chairs of our Audit, Compensation, or Corporate Governance Committees by sending an email to BoardChair@zoetis.com, AuditChair@zoetis.com, CompChair@zoetis.com, or CorpGovChair@zoetis.com, respectively. 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., 100 Campus Drive, Florham Park, NJ 07932. Communications are distributed to the Board, or to

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**CORPORATE GOVERNANCE AT ZOETIS**

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 non-management director upon his or her request.

**CORPORATE GOVERNANCE AT ZOETIS**

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. All Board members attended our 2015 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](http://www.zoetis.com) under About Us Corporate Compliance. We have also 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](http://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 FOR 2015**

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. For 2015, our non-employee directors' compensation consisted of the following:

an annual cash retainer for each non-employee director of \$100,000;

an annual cash retainer for the Chair of the Board of \$150,000;

an annual cash retainer for the Chair of each committee of the Board of \$25,000; and

an equity retainer to each non-employee director upon his or her first election as such and annually thereafter with a value of \$170,000 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 which are subject to three-year cliff

vesting, remaining unvested until the third anniversary of the date of grant. During 2015 we granted equity retainers in the form of restricted stock units, valued at \$170,000 in the aggregate for each director on the date of grant, as follows:

To each of Ms. Parent, Dr. Reed and Messrs. D. Amelio, Khosla, Norden, McCallister, Scully and Steere, 3,688 restricted stock units valued at \$46.09 per share.

To Mr. Bisaro, 3,810 restricted stock units valued at \$44.61 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.

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**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 (y) the date upon which the guidelines were established, or (z) if later, the date of his or her first election as a director, to achieve the share ownership requirement.

As described above under Corporate Governance Principles and Practices Director Independence, William F. Doyle was appointed to serve as a director of our company on February 3, 2015. Mr. Doyle's appointment was pursuant to a letter agreement with Pershing Square Capital Management, L.P. (Pershing Square), Sachem Head Capital Management LP, and certain of their respective affiliates, which is filed as an exhibit to our company's Current Report on Form 8-K, filed with the SEC on February 4, 2015 (the Letter Agreement). Mr. Doyle is eligible to participate in our company's non-employee director compensation program; however, he voluntarily waived any compensation from our company in respect of his services as a Board member. Mr. Doyle is a member of Pershing Square and is independently compensated by Pershing Square; however, the Letter Agreement provides that no compensation paid by Pershing Square to Mr. Doyle will depend directly or indirectly on the performance of our company or its stock price (although compensation arrangements based on the overall value of the funds Pershing Square manages will not be considered to be restricted arrangements unless the value of such funds depends primarily on the performance of our company or our stock price). In addition, in connection with a provision in the Letter Agreement contemplating our appointing another independent director to our Board, we previously announced that Mr. Paul M. Bisaro would become a director of our company immediately following our 2015 Annual Meeting.

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The following table summarizes the total compensation earned in 2015 by each of our directors who served as a non-employee director during 2015.

<b>Name</b>	<b>Fees Earned or Paid in Cash(\$)<sup>(1)</sup></b>	<b>Stock Awards (\$)<sup>(2)(3)</sup></b>	<b>Opti- Compensation Awards(\$)</b>	<b>Non-Equity Incentive Plan Compensation (\$)</b>	<b>Change in Pension Value and Non- Qualified Deferred Compensation Earnings(\$)</b>	<b>All Other Compensation (\$)</b>	<b>Total (\$)</b>
Paul M. Bisaro <sup>(4)</sup>	\$ 66,667	\$ 170,000					\$ 236,667
Frank A. D. Amelio <sup>(5)</sup>	\$ 100,000	\$ 170,000					\$ 270,000
Sanjay Khosla <sup>(6)</sup>	\$ 100,000	\$ 170,000					\$ 270,000
Michael B. McCallister <sup>(7)</sup>	\$ 275,000	\$ 170,000					\$ 445,000
Gregory Norden <sup>(8)</sup>	\$ 125,000	\$ 170,000					\$ 295,000
Louise M. Parent <sup>(9)</sup>	\$ 100,000	\$ 170,000					\$ 270,000
Willie M. Reed <sup>(10)</sup>	\$ 100,000	\$ 170,000					\$ 270,000
Robert W. Scully <sup>(11)</sup>	\$ 125,000	\$ 170,000					\$ 295,000
William C. Steere, Jr. <sup>(12)</sup>	\$ 100,000	\$ 170,000					\$ 270,000

(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, with each phantom unit representing one share of Zoetis common stock. Phantom units 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 2015, 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 2015 calculated in accordance with FASB ASC Topic 718. The grant date fair value of each restricted stock unit granted to a non-employee director on February 27, 2015, was \$46.09, and the grant date fair value of each restricted stock unit granted to a non-employee director on May 1, 2015, was \$44.61. 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 2015, the aggregate number of restricted stock units (including dividend equivalents) held by each current non-employee director was as follows: Mr. Bisaro, 3,824; Mr. D'Amelio, 3,708; Mr. Khosla, 3,708; Mr. McCallister, 3,708; Mr. Norden, 3,708; Ms. Parent, 3,708; Dr. Reed, 3,708; Mr. Scully, 3,708; and Mr. Steere, 3,708.
- (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 2015, the aggregate number of deferred stock units (including dividend equivalents) held by each current non-employee director was as follows: Mr. D'Amelio, 9,340; Mr. Khosla, 9,340; Mr. McCallister, 10,097; Mr. Norden, 10,097; Ms. Parent, 9,340; Dr. Reed, 4,593; Mr. Scully, 9,340; and Mr. Steere, 10,097.
- (4) Represents (a) a cash retainer of \$66,667 for service to the Board as a non-employee director from May 1, 2015, through December 31, 2015, and (b) an equity retainer of 3,810 restricted stock units granted on May 1, 2015.
- (5) Represents (a) a cash retainer of \$100,000 for service to the Board as a non-employee director during 2015 and (b) an equity retainer of 3,688 restricted stock units granted on February 27, 2015.
- (6) Represents (a) a cash retainer of \$100,000 for service to the Board as a non-employee director during 2015 and (b) an equity retainer of 3,688 restricted stock units granted on February 27, 2015.
- (7) Represents (a) a cash retainer of \$100,000 for service to the Board as a non-employee director during 2015, (b) a cash retainer of \$150,000 for service as Chair of the Board during 2015, (c) a cash retainer of \$25,000 for service as Chair of the Corporate Governance Committee during 2015 and (d) an equity retainer of 3,688 restricted stock units granted on February 27, 2015.

- (8) Represents (a) a cash retainer of \$100,000 for service to the Board as a non-employee director during 2015, (b) a cash retainer of \$25,000 for service as Chair of the Audit Committee during 2015 and (c) an equity retainer of 3,688 restricted stock units granted on February 27, 2015.
  
- (9) Represents (a) a cash retainer of \$100,000 for service to the Board as a non-employee director during 2015, and (b) an equity retainer of 3,688 restricted stock units granted on February 27, 2015.
  
- (10) Represents (a) a cash retainer of \$100,000 for service to the Board as a non-employee director during 2015, and (b) an equity retainer of 3,688 restricted stock units granted on February 27, 2015.
  
- (11) Represents (a) a cash retainer of \$100,000 for service to the Board as a non-employee director during 2015, (b) a cash retainer of \$25,000 for service as Chair of the Compensation Committee during 2015 and (c) an equity retainer of 3,688 restricted stock units granted on February 27, 2015.
  
- (12) Represents (a) a cash retainer of \$100,000 for service to the Board as a non-employee director during 2015 and (b) an equity retainer of 3,688 restricted stock units granted on February 27, 2015.

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**18 ZOETIS 2016 PROXY STATEMENT**



**Table of Contents****EXECUTIVE COMPENSATION****COMPENSATION DISCUSSION AND ANALYSIS****INTRODUCTION**

This Compensation Discussion and Analysis ( CD&A ) describes our executive compensation philosophy and programs, and the decisions made by the Compensation Committee of the Board of Directors of Zoetis Inc. (the Committee ) with respect to the compensation of our named executive officers ( NEOs ) during 2015.

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

Our NEOs for 2015, whose compensation is discussed in this CD&A and shown in the compensation tables below, are:

<b>Executive</b>	<b>Title</b>
Juan Ramón Alaix	Chief Executive Officer (CEO)
Paul S. Herendeen	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

**EXECUTIVE SUMMARY**

As we entered 2015, we conducted a full-scale review of our business. Our goal was to improve our operating margins by reducing our product portfolio and simplifying many of the processes and structures we had inherited in our spinoff from a much larger healthcare company. In the end, we are creating a more efficient, agile and less complex structure for a company focused solely on animal health. This review, hereafter referred to as our Business Review , has led to changes in our organizational design and cost structure, as well as better allocation of resources towards investments for future growth.

We set a high performance bar for 2015 and we exceeded our incentive compensation goals, including our earnings per share target, and achieved strong stock price and total shareholder return ( TSR ) performance

relative to the S&P 500 stock market index.

The company's strong performance in 2015 is reflected in the Committee's recommendation to provide an above-target payout for our CEO's annual incentive.

In 2015, the Committee introduced and awarded performance award units based on the company's relative TSR results measured over a three-year performance period.

At our 2015 Annual Shareholder Meeting, 98.6% of the votes cast supported our say on pay proposal.

## **2015 BUSINESS PERFORMANCE**

Over the course of 2015, our leadership team drove strong operating performance by building on the commercial performance, innovative research and development and high quality supply chain that have been critical to our success. The company also initiated our Business Review with the goals of (1) improving our operating margins, (2) reducing complexity that does not add value for our customers or our business, (3) optimizing resource allocation and efficiency, and (4) better positioning Zoetis competitively for long-term profitable growth.

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**EXECUTIVE COMPENSATION**

Listed below are some highlights of our 2015 operating performance:

As discussed under Company 2015 Performance below, our strong revenue, adjusted net income and earnings per share ( EPS ) performance drove funding of our annual cash incentive plan above the target level.

- i **Revenues.** For full year 2015, reported revenue was \$4.8 billion, and we delivered 8% operational<sup>2</sup> growth in revenue, excluding foreign exchange. We saw strong operational revenue growth in the United States, as well as in Brazil, China and the United Kingdom, with strong contributions from livestock, driven by our cattle and swine portfolios. In companion animal, we saw very strong operational revenue growth driven by the addition of the assets of Abbott Animal Health and the performance of Apoquel<sup>®</sup> and other key brands.
  
- i **Adjusted Net Income.** Net income for 2015 was \$339 million, and adjusted net income for 2015 was \$889 million, reflecting an increase of 13% over 2014. As part of our long-term value proposition, we continued to grow adjusted net income faster than revenue, demonstrating our focus on long-term profitable growth.
  
- i **EPS.** Reported diluted EPS for 2015 was \$0.68 per diluted share, and adjusted diluted EPS<sup>1</sup> for 2015, which excludes 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, was \$1.77 per diluted share, an increase of 13% over 2014.

**Value-Added Investment Opportunities.** In 2015, our Research & Development ( R&D ) team received approximately 200 approvals which include new products, geographical expansions of existing products, new indications and new formulations of medicines, vaccines and diagnostics. These R&D results support our diverse global portfolio through new product and lifecycle innovation applied to approximately 300 existing product lines, all to ensure our future revenue growth and market leadership.

**Acquisitions.** In 2015, we completed three acquisitions in line with our goal of pursuing strategically aligned business development opportunities that create shareholder value in the short and long term: (1) the assets of Abbott Animal Health, a companion animal health business focused on the veterinary surgical suite, (2) KL Products, a bio-devices business based in Canada, and (3) Pharmaq, an aquatic health business based in Norway. In addition, in late 2015, we signed an asset purchase and manufacturing agreement with Syntex, an Argentinian company focused on core reproductive therapies for livestock.

**Organizational Change and Restructuring.** As a result of our Business Review, in 2015, we made significant changes to the organizational structure of Zoetis and the Zoetis Executive Team ( ZET ). We consolidated from four regions to two (U.S. and International), redefined the Group President role, elevated the Global Manufacturing and Supply ( GMS ) organization to a direct report to the CEO, and eliminated three ZET roles, with no disruption to the business.

## **2015 COMPENSATION HIGHLIGHTS**

In 2015, the Committee expanded from a group of four independent directors to five with the addition of Mr. Paul M. Bisaro. The compensation-related actions taken by the Committee in 2015 include:

**Performance Award Units.** The Committee introduced and awarded performance-vesting restricted stock units ( performance award units ) under the Zoetis Inc. 2013 Equity and Incentive Plan (the Equity Plan ) as part of the 2015 annual long-term incentive awards. These performance award units are based on the company's TSR results as compared to the TSR results of the companies comprising the S&P 500 stock market index as of

<sup>1</sup> Adjusted net income and adjusted diluted earnings per share (non-GAAP financial measures) are defined as reported net income attributable to Zoetis and reported diluted earnings per share, excluding purchase accounting adjustments, acquisition-related costs and certain significant items. Pages 48 to 51 of our 2015 Annual Report on Form 10-K, filed with the SEC on February 24, 2016, contain a reconciliation of these non-GAAP financial measures to reported results under GAAP for 2015.

<sup>2</sup> Operational revenue growth is defined as revenue growth excluding the impact of foreign exchange.

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January 1, 2015, excluding companies that during the performance period are acquired or are no longer publicly traded (the S&P 500 Group). The payment of shares under these performance award units ranges from 0% to 200% of the target number of performance award units, depending upon the achievement of pre-determined relative three-year TSR performance goals set at the time of the grant. The introduction of performance award units further supports the alignment between shareholders and executives by strengthening the connection between growing shareholder value and executive rewards.

**Compensation Peer Group.** As part of its annual review of our compensation peer group, and in light of recent merger and acquisition activity in the biopharmaceutical industry, the Committee made several revisions to the company's compensation peer group in order to maintain a robust number of peer companies and a balance of companies across the pharmaceutical, biotechnology, life sciences, and healthcare equipment industries. The revised peer group will be used to guide the Committee in making 2016 compensation decisions.

**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 short-term incentive compensation opportunity and target long-term incentive compensation opportunity.

**Base Salary and Annual Incentive Plan**

Mr. Alaix' base salary for the first three months of 2015 was \$1,100,000 and his annual target incentive opportunity for that three-month period was 115% of his base salary, providing for an annualized target total cash compensation of \$2,365,000.

On February 27, 2015, to continue to align his compensation with the CEOs of our peer companies, the Committee recommended increasing Mr. Alaix' base salary to \$1,120,000, and maintaining his annual target incentive opportunity at 115% of his base salary, providing for annualized target total cash compensation of \$2,408,000.

Upon the Committee's recommendation, Zoetis' Board of Directors approved this increase effective April 1, 2015, 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 2015 was \$2,397,250, including a base salary of \$1,115,000 and an annual incentive target of \$1,282,250 (representing 115% of base salary earned in 2015).

In February 2016, the Committee recommended, and the Board of Directors approved, an annual incentive payment for 2015 of \$1,705,393 (133% of the full-year annual incentive target) for Mr. Alaix based on Zoetis' 2015 financial results and his individual performance.

**Long-Term Incentive**

In February 2015, Mr. Alaix received a long-term equity incentive grant with a total grant date fair value of \$5,600,000, consisting of one-third each of stock options, time-vesting restricted stock units (RSUs), and performance

award units. Each of these awards (159,954 stock options, 40,500 RSUs, and 29,563 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 27, 2018), 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 TSR goals. As provided under 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.

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**EXECUTIVE COMPENSATION**

**Target Total Direct Compensation ( TTDC )**

The chart below shows the TTDC for Mr. Alaix for the first three months of 2015, the last nine months of 2015 (which includes the April 1, 2015, increase to Mr. Alaix base salary described above), and his full year 2015 TTDC (which reflects the pro-rata combination of Mr. Alaix pre-April 1, 2015 and post-April 1, 2015 TTDC).

**OUR COMPENSATION PROGRAM**

**Compensation Philosophy**

Our compensation philosophy, which is set by the Committee, is intended to achieve the following objectives:

Foster a pay-for-performance culture by tying a large portion of our executives pay to company performance, achievement of business strategy, and individual performance, in each case, measured against pre-established annual performance goals;

Align the interests of management with results delivered to our shareholders (including by granting equity-based long-term incentive awards, the value of which is tied to shareholder return);

Provide competitive compensation opportunities over the short term (base salary, annual incentives) and long term (equity-based long-term incentive awards) which are intended to be internally equitable, 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; and

Maintain a compensation program that is simple and transparent, and reflects sound governance principles.

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**EXECUTIVE COMPENSATION**

**Basic Principles of Our Executive Compensation Program**

**We do:**

Emphasize pay for performance – our executive compensation program emphasizes variable pay over fixed pay, with two-thirds or more 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 prerequisites of employment (as determined by our Board of Directors) for our employees, including our NEOs.

Maintain anti-hedging and anti-pledging policies prohibiting our directors and employees, including our NEOs, from hedging or collateralizing their ownership positions in our stock.

**We do not:**

Generally maintain employment agreements with our executives, including our NEOs.

Allow repricing of stock options without shareholder approval.

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).

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



Maintain a claw-back policy that allows us to recover incentive payments based on financial results that are subsequently restated.

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 prescribed 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.

**Elements of 2015 Compensation: At a Glance**

Element	Description and Purpose	Comments
<b>Cash Compensation</b>		
Base Salary	Fixed cash compensation that reflects fulfillment of day-to-day responsibilities, skills and experience.	Reviewed annually in light of changes in market practice, performance, individual responsibility and internal equity.
	Addresses employee cash-flow needs and retention objectives.	
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.	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 qualitative performance.

For 2015, the AIP pool was funded based on Zoetis performance against revenue, adjusted diluted EPS and cash metrics.

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<b>Element</b>	<b>Description and Purpose</b>	<b>Comments</b>
<b>Long-Term Incentives</b>		
Stock Options	<p>Equity awards that provide value based on growth in our stock price.</p> <p>Intended to focus NEOs on increasing the company's stock price.</p> <p>Reward NEOs for increases in the stock price over a period of up to ten years.</p>	<p>In 2015, stock options represented one-third of each NEO's long-term incentive opportunity based on the grant date fair value of the awards.</p> <p>Exercise price equals 100% of the stock price on the date of grant.</p> <p>Ten-year term.</p> <p>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 certain early termination exceptions, such as retirement, death, change in control, etc., that are aligned with market practice).</p>
Restricted Stock Units	<p>Equity awards that give the recipient the right to receive shares of Zoetis stock on a specified future date, subject to vesting.</p> <p>Aligns NEO and shareholder interests, as NEOs will realize a higher value from RSUs from an increasing stock price.</p>	<p>In 2015, RSUs represented one-third of each NEO's long-term incentive opportunity based on the grant date fair value of the awards.</p> <p>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 certain early termination provisions, such as retirement, death, change in control, etc., that are aligned with market practice).</p>

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 2015, 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.

Aligns 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 vest 100% on the third anniversary of the date of grant, subject to the NEO's continued employment through such date (with certain early termination provisions, such as retirement, death, change in control, etc., that are 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).

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<b>Element</b>	<b>Description and Purpose</b>	<b>Comments</b>
<b>Retirement</b>		
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 U.S. Internal Revenue Code ( IRC ) limitations.  For 2015, we made a profit sharing contribution of 5% of total cash pay (within IRC limitations) to all eligible Savings Plan participants.
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 Annual Incentive Plan payment that is over the IRC 401(a)(17) limit and that is not matched by the company.	Matching and profit sharing contributions are notionally credited as company stock.
Equity Deferral Plan	The Zoetis Equity Deferral Plan allows the most senior leaders of the company (approximately 10 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.

Element	Description and Purpose	Comments
<b>Severance</b>		
Executive Severance Plan	Severance benefits provided to NEOs and certain other executives (approximately 14 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 following a change in control.	<p>Facilitates recruitment and retention of NEOs and certain other executives by providing income security in the event of involuntary job loss.</p> <p>Provides the CEO with:</p> <ul style="list-style-type: none"> <li>i 1.5 times base salary and target annual incentive upon an involuntary termination of employment without cause (unrelated to a change in control).</li> <li>i 2.5 times base salary and target annual incentive upon an involuntary termination without cause or a good reason termination following a change in control.</li> </ul> <p>Provides other executives, including the NEOs other than the CEO with:</p> <ul style="list-style-type: none"> <li>i 1 times base salary and target annual incentive upon an involuntary termination of employment without cause (unrelated to a change in control).</li> <li>i 2 times base salary and target annual incentive upon an involuntary termination without cause or a good reason termination following a change in control.</li> </ul>

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**EXECUTIVE COMPENSATION**

**Say on Pay Consideration**

At our 2015 Annual Shareholder Meeting we held a shareholder advisory vote on the compensation of our NEOs in 2014 ( say on pay ). Our shareholders overwhelmingly approved the compensation of our NEOs, with 98.6% 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. The Committee reviewed and considered these voting results, 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; and

Approving the performance goals, evaluating the performance, 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 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 Consultants**

The Committee retained Towers Watson to serve as its executive compensation consultant in 2015. While 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 2015, 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 2015 Committee meetings and communicating with the Committee Chair between meetings as necessary;

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;

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

Reviewing recommendations for stock ownership guidelines for our executives; and

Reviewing this CD&A and related compensation tables.

Management engaged Compensation Advisory Partners, LLC, in 2015 as an advisor on executive compensation matters and to assess our incentive and other compensation programs to ensure they do not create undue risk for the company.

**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. 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, start-up histories, and industries 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 in the biopharmaceutical industry, the Committee made certain revisions to the company's compensation peer group for 2016 in order to maintain a robust number of peer companies and a balance of companies across the various industries included in the company's peer group. The revised compensation peer group is comprised of the 17 peer companies listed in the table below.

Agilent Technologies, Inc.	Mallinckrodt plc
Alexion Pharmaceuticals, Inc.	Mead Johnson Nutrition Company
Becton, Dickinson and Company	Mettler-Toledo International Inc.
Biogen Idec Inc.	Mylan Inc.
Bio-Rad Laboratories, Inc.	PerkinElmer, Inc.

Boston Scientific Corporation	Perrigo Company plc
Celgene Corporation	Quintiles Transnational Holdings Inc.
C. R. Bard, Inc.	Zimmer Biomet Holdings, Inc.
Endo International plc	

Zoetis ranks in the 57<sup>th</sup> percentile in revenue and the 62<sup>nd</sup> percentile in total market capitalization among the companies in this revised peer group. This revised peer group will be used to guide the Committee in making 2016 compensation decisions.

In determining the elements of 2015 compensation for our NEOs, we used:

Proxy statement data for the peer group as disclosed in the company's prior year CD&A and executive compensation tables. Revisions to the peer group were discussed by the Committee and implemented in October 2015, after the elements of 2015 NEO compensation were established.

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 Towers Watson Executive Compensation Survey for this purpose.

Target total direct compensation for our NEOs was aligned with the compensation of similar positions across our 2015 peer companies after 2015 compensation decisions were implemented. 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.

Table of Contents**EXECUTIVE COMPENSATION****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 own 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.

**2015 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 variable 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 2015, 86% of the TTDC of our CEO was variable 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 74% of TTDC was variable pay.

The table and chart below show the mix of TTDC for our NEOs for 2015. 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 2015 Summary Compensation Table (provided later in this proxy statement) in that the Summary Compensation Table reflects actual base salary and annual incentives earned during 2015 (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.

**NEO Compensation Structure as of December 31, 2015**

Executive	Total				Pay Mix		
	Base	Target	Long-Term	Target Total	Target	Long-	
	Salary	Annual	Incentive	Direct	Base	Annual	Term
Juan Ramón Alaix	\$ 1,120,000	\$ 1,288,000	\$ 5,600,000	\$ 8,008,000	14%	16%	70%
Paul S. Herendeen	\$ 630,000	\$ 441,000	\$ 1,800,000	\$ 2,871,000	22%	15%	63%
Kristin C. Peck	\$ 625,500	\$ 437,850	\$ 1,300,000	\$ 2,363,350	26%	19%	55%

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Clinton A. Lewis, Jr.	\$ 600,000	\$ 420,000	\$ 1,000,000	\$2,020,000	30%	21%	50%
Catherine A. Knupp	\$ 510,000	\$ 357,000	\$ 1,000,000	\$1,867,000	27%	19%	54%

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**EXECUTIVE COMPENSATION**

**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, and in order to better align the annual base salary levels of our NEOs with median annual base salary levels for comparable positions in the Zoetis peer group for 2015, the Committee made the following base salary determinations for our NEOs for 2015:

Mr. Alaix received a nominal base salary increase of 1.8% effective April 1, 2015, and Mr. Herendeen and Ms. Peck did not receive base salary increases in 2015. These base salary decisions reflect the relative positioning of each NEO's annual base salary level with the median annual base salary level for comparable positions within our peer group.

Effective April 1, 2015, Mr. Lewis and Dr. Knupp each received base salary increases of 8.9%. These increases were intended to address the continuing transition of their compensation from their former divisional roles within Pfizer to their new roles in Zoetis as direct reports to the CEO. In addition, Mr. Lewis relocated to Belgium and assumed a new position on May 5, 2015, as Executive Vice President and President of International Operations. With this change in role, Mr. Lewis received an additional base salary increase of 17.65% effective May 5, 2015, reflecting his broader responsibilities in leading a geographically complex and dispersed organization with greater financial goals as compared to his previous role.

**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 2015 was determined by the Committee based on the company's attainment of the revenue, adjusted diluted EPS and cash metric<sup>3</sup> goals (weighted 40%, 40%, and 20%, respectively) approved by the Committee in the first quarter of the year.

These measures were selected because:

They reflect the successful execution of our business strategy and support the achievement of the company's annual operating plan; and

Revenue and adjusted diluted EPS are measures that shareholders closely track in their analysis of our performance and the cash metric helps drive the efficient management of working capital and cash.

<sup>3</sup> The cash metric is 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 changes in accounts receivable, inventories and accounts payable.

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**EXECUTIVE COMPENSATION**

The threshold, target and maximum performance levels for AIP pool funding for 2015 were established by the Committee in early 2015.

**Company 2015 Performance**

The revenue, adjusted diluted EPS and cash metric target levels and results reflected here and used to determine the funding level of our AIP pool exclude the impact of foreign exchange during 2015 and are therefore different from our reported revenue and adjusted diluted EPS results of \$4.765 billion and \$1.77 per share, respectively. The impact of foreign exchange is excluded as it is not a direct measure of the company's operating performance. Our financial results (excluding the impact of the Pharmaq acquisition), for 2015 led to above-target payouts under our AIP:

Our revenue of \$4.854 billion was 99.3% of the 2015 revenue target established for the AIP of \$4.886 billion.

Our adjusted diluted EPS of \$1.80 per share exceeded the 2015 adjusted diluted EPS target established for the AIP of \$1.59 per share.

Our cash metric result in 2015 was \$582 million, which was 107.6% of our 2015 cash metric target of \$541 million.

Given these results, the Committee approved an overall funding level of 130% of target for all employees eligible under the AIP. The Committee believes this funding level reflects Zoetis' 2015 financial performance and also recognizes Zoetis' achievement of its 2015 objectives while implementing significant changes to the business resulting from our Business Review.

The threshold, target and maximum performance levels for AIP pool funding, as well as the actual results for 2015, 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 2015. Payouts under the AIP program can range from 0% to 200% of the target level depending on actual performance.

**CEO 2015 Performance**

As discussed in more detail in the section above entitled "CEO Compensation: At A Glance," the annual incentive target for Mr. Alaix was initially set at \$1,265,000 (115% of his January 1, 2015 salary) and was increased to \$1,288,000 (115% of his April 1, 2015 salary) by our Board of Directors, upon a recommendation made by the Committee effective April 1, 2015. This increase was applied on a prospective basis in determining his target payout under the AIP for 2015.



In determining Mr. Alaix' 2015 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 cash metrics included in the AIP, and the company's strong 2015 stock price growth and Total Shareholder Return. The Board and the Committee also considered Mr. Alaix' other 2015 achievements, including leading a full-scale Business Review of the company's operations with the goals of (1) improving our operating margins, (2) reducing complexity that does not add value for our customers or our business, (3) optimizing resource allocation and efficiency, and (4) better positioning Zoetis competitively for long-term profitable growth.

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**EXECUTIVE COMPENSATION**

As a result of this Business Review:

We are reducing certain low-revenue/low-margin products and exiting or selling seven manufacturing sites.

We implemented significant changes to the organizational structure of the company and the ZET in 2015, including a consolidation of our regional structure from four regions to two, redefining the role of the company's Group President, elevating the GMS organization to a direct report to the CEO, and eliminating three ZET roles. With these changes, Mr. Alaix placed three ZET members (including two NEOs) in new/developmental roles. Mr. Alaix managed through these organizational and leadership changes with no disruption to the business.

We delivered on defined key milestones (regulatory submissions, approvals, stage gate progressions) for the product pipeline (including approvals of Simparica® and Suvaxyn® in the European Union, Apoquel® in Brazil, a canine lyme vaccine and oral Bordatella in the United States, as well as a conditional license in the United States for a monoclonal antibody therapy for interleukin-31 (IL-31)) on or ahead of schedule.

We completed the acquisitions of KL Products, Pharmaq, and the assets of Abbott Animal Health, and we signed an asset purchase and manufacturing agreement with Syntex.

We are engaging and retaining a high-performing workforce, as evidenced by a voluntary global turnover rate of approximately 9%, and the recognition of Zoetis as a Top 10 company by Working Mother magazine. 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's 2015 performance. ZET members provided their views on Mr. Alaix's performance across various leadership dimensions, including strategy and vision, operational and leadership effectiveness, company reputation and external relationships, and corporate culture. The results of this survey were considered by the Board in its assessment of Mr. Alaix's 2015 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's overall 2015 performance, the Committee recommended and the Board of Directors approved an annual incentive payout to Mr. Alaix of 133% of target (\$1,705,393).

**Other NEO 2015 Performance**

What follows are highlights of individual and regional/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 2015. In approving the compensation recommendations for the other NEOs, 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 2015 and upon the changes in NEO roles resulting from our organization restructuring.

**Paul S. Herendeen, Executive Vice President and Chief Financial Officer.** As Chief Financial Officer, Mr. Herendeen played a key role in the initiation of the company's Business Review and the implementation of the related organizational changes. Mr. Herendeen led our efforts to enhance our external financial reporting to better meet the needs of our investors and to simplify and streamline our financial reporting processes. Mr. Herendeen also played a critical role in reaching the agreement to acquire Pharmaq, an aquatic health business based in Norway. Additionally, Mr. Herendeen oversaw the successful implementation of the company's Enterprise Resource Planning system in the United States and in many major international markets.

**Kristin C. Peck, Executive Vice President and Group President (through May 4, 2015) and Executive Vice President and President of U.S. Operations (from May 5, 2015).** As Group President and as a result of our Business Review, Ms. Peck led restructuring efforts, including an initiative to reduce cost and complexity across our operations through rationalizing approximately 5,000 low-revenue/low-margin products, simplifying our commercial model in approximately 30 markets, and identifying seven manufacturing sites to be divested or exited. As President

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of U.S. Operations, Ms. Peck reorganized and recruited a new leadership team, delivering strong financial results and cost savings above target, generating above-market revenue growth and income results as compared to 2014.

**Clinton A. Lewis, Jr., Executive Vice President and President of U.S. Operations (through May 4, 2015) and Executive Vice President and President of International Operations (from May 5, 2015).** Under Mr. Lewis leadership through May 4, 2015, our U.S. business exceeded its revenue and income targets, continuing to grow faster than the market overall. While in the role of President of U.S. Operations, Mr. Lewis was instrumental to the successful integration of Abbott Animal Health. As President of International Operations, Mr. Lewis played a key role in implementing the new International Operations commercial organization and resource model, consolidating the former Canada/Latin America region, Europe, Africa, Middle East region and Asia Pacific region into one new region (International). Under Mr. Lewis leadership since May 5, 2015, International Operations delivered strong revenue and income growth and has delivered significant operational efficiencies.

**Dr. Catherine A. Knupp, Executive Vice President and President of Research and Development.** Dr. Knupp leads our global R&D function. In 2015, under her leadership, we received approximately 200 approvals, including a number of high priority approvals, in some instances ahead of schedule. These approvals included products such as Simparica® and Suvaxyn® Circo + MH RTU in the European Union, Apoquel® in Japan and Brazil, and the new canine vaccines, Vanguard® crLyme and Vanguard® B oral, in the United States. Additionally, in the United States, we received conditional licenses for a monoclonal antibody (anti-IL-31) therapy for atopic dermatitis and were first to market with a vaccine against a new strain of canine influenza. Dr. Knupp led the implementation of a new approach to external innovation and continues to effectively manage the company's R&D spend, while accelerating key pipeline projects and expanding the company's research presence and capabilities in growth markets, including the opening of a new research laboratory in Beijing, China.

**NEO AIP Decisions**

In February 2016, 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 executive for 2015. The NEOs 2015 annual incentive awards were based on:

the financial performance of Zoetis (measured against targets for revenue, adjusted diluted EPS and a cash metric);

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 executive'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.

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The 2015 AIP target amounts are prorated to reflect base salary increases received during the year. The 2015 AIP awards for our NEOs, reflecting the Committee's assessment of their performance in 2015 (and, in the case of our CEO, the Board of Director's assessment of his performance in 2015) are shown in the table below.

Named Executive Officer	2015 Period		Base Pay	Pro-rata Base Pay	AIP Target	AIP Award	
					% of Base Pay	% of AIP Target of AIP Award Amount Target Paid	
Juan Ramón Alaix	January 1	March 31	\$ 1,100,000	\$ 275,000	115%	\$ 316,250	
	April 1	December 31	\$ 1,120,000	\$ 840,000	115%	\$ 966,000	
	Total			\$ 1,115,000	115%	\$ 1,282,250	133% \$ 1,705,393
Paul S. Herendeen	January 1	December 31	\$ 630,000	\$ 630,000	70%	\$ 441,000	135% \$ 595,350
Kristin C. Peck	January 1	December 31	\$ 625,500	\$ 625,500	70%	\$ 437,850	133% \$ 582,341
Clinton A. Lewis, Jr.	January 1	March 31	\$ 468,500	\$ 117,125	65%	\$ 76,131	
	April 1	May 4	\$ 510,000	\$ 46,363	70%	\$ 32,454	
	May 5	December 31	\$ 600,000	\$ 395,455	70%	\$ 276,819	
	Total			\$ 558,943	69%	\$ 385,404	133% \$ 512,587
Catherine A. Knupp	January 1	March 31	\$ 468,500	\$ 117,125	65%	\$ 76,131	

April 1	December 31	\$ 510,000	\$ 382,500	70%	\$ 267,750
Total			\$ 499,625	69%	\$ 343,881,132

### Long-Term Incentives ( LTI )

Our Equity Plan is a comprehensive long-term incentive compensation plan that permits us to grant both equity-based and non-equity-based long-term compensation awards to employees and directors. The Committee believes that long-term equity-based 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 2015, long-term incentive values 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 2015 supports our pay-for-performance objective by tying executive awards to shareholder value accretion. Long-term incentive values were delivered to other eligible Zoetis employees generally through RSUs.

LTI awards are subject to three-year cliff vesting, meaning that the awards vest in full on the third anniversary of the date of grant, subject to continued employment through the vesting date and, in the case of performance award units, the company's total shareholder return over the three-year performance period relative to the total shareholder return of the companies comprising the S&P 500 Group (accelerated vesting provisions apply for certain termination conditions, such as retirement, death, disability, restructuring and change in control).

**Stock Options.** 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.

We believe that stock options:

- encourage our executives to focus on decisions that will lead to increases in the stock price for the long term;
- and

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are an effective retention tool, since executives generally must remain with the company for three years following the date of the grant before they can exercise the stock options, and the options have a ten-year term from the date of the grant.

**Restricted Stock Units.** RSUs provide executives with the right to receive shares of our stock at the end of the three-year cliff-vesting period. Dividend equivalents are applied during the vesting period to outstanding RSUs and any additional RSUs credited in connection with prior dividend equivalents, and are paid out in shares of our stock at the same time the associated RSUs are paid out.

We view RSUs as being effective in achieving several objectives:

aligning the interests of executives with those of shareholders over the vesting period;

retaining executive talent; and

encouraging stock ownership by delivering shares upon settlement.

**Performance Award Units.** We introduced and awarded performance award units in 2015 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 at the end of the three-year performance vesting period. For the 2015 grant, the number of shares that executives receive depends upon the company's total shareholder return over the 2015-2017 performance period relative to the S&P 500 Group. Dividend equivalents are applied during the performance vesting period to outstanding performance award units and any additional performance award units credited in connection with prior dividend equivalents, and are paid out in shares of our stock at the same time the associated performance award units are paid out.

The performance award unit vesting schedule is as follows:

**If the company's total shareholder return for the 2015-2017**

**performance period is:**

	<b>The number of shares of stock that will vest are:</b>
Below the 25 <sup>th</sup> percentile of the S&P 500 Group	Zero
At the 25 <sup>th</sup> percentile of the S&P 500 Group	50% of the target number of units
At the 50 <sup>th</sup> percentile of the S&P 500 Group	100% of the target number of units



At or above the 75 <sup>th</sup> percentile of the S&P 500 Group	200% of the target number of units
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The number of shares that vest and are paid is determined by linear interpolation when the company's total shareholder return is between the 25<sup>th</sup> and 50<sup>th</sup> or between the 50<sup>th</sup> and 75<sup>th</sup> percentiles of the S&P 500 Group.

We view performance award units as being effective in achieving several objectives:

aligning the interests of executives with those of shareholders over the performance vesting period;

retaining 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; and

encouraging stock ownership by delivering shares upon settlement in accordance with the company's relative total shareholder return results.

#### **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 2015. In determining the number of awards issued, the value of RSUs is divided by the grant date closing price of Zoetis common shares (rounded down to the nearest whole number), the option value is divided by the Zoetis Black-Scholes value as of the grant date (rounded down to the nearest whole number), and the performance award unit value is divided by the Zoetis Monte Carlo simulation value as of the grant date (rounded down to the nearest whole number).

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Named Executive Officer	Total		RSU Value	Performance Award Unit Value	# of		# of Performance Award Units Granted
	Long-Term Incentive Value	Stock Option Value			Stock Options Granted	# of RSUs Granted	
Juan Ramón Alaix	\$ 5,600,000	\$ 1,866,667	\$ 1,866,667	\$ 1,866,667	159,954	40,500	29,563
Paul S. Herendeen	\$ 1,800,000	\$ 600,000	\$ 600,000	\$ 600,000	51,413	13,018	9,502
Kristin C. Peck	\$ 1,300,000	\$ 433,333	\$ 433,333	\$ 433,333	37,132	9,401	6,863
Clinton A. Lewis, Jr.	\$ 1,000,000	\$ 333,333	\$ 333,333	\$ 333,333	28,563	7,232	5,279
Catherine A. Knupp	\$ 1,000,000	\$ 333,333	\$ 333,333	\$ 333,333	28,563	7,232	5,279

**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 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 Internal Revenue Code limitations). For 2015, we contributed 5% of each eligible employee's pay (including the NEOs) as a profit sharing contribution.

To the extent the Internal Revenue Code limitations are exceeded, our 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 Internal Revenue Code limitations on the amount of compensation that may be taken into account under a tax-qualified plan (\$265,000 for 2015). 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, 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 Internal Revenue Code 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 Supplemental Savings Plan.

## Severance

The Zoetis Executive Severance Plan covers our NEOs, ZET members, and certain other executives (approximately 14 employees). We do not generally maintain individual employment agreements with our executives. The plan 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, 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 is in connection with or within 24 months following a change in control. The amounts payable under the plan are as follows:

	<b>Severance (Base Salary)</b>	<b>Continued Health and Life Insurance (at active employee cost)</b>	<b>Annual Incentive</b>
<b>Non-Change in Control Severance</b>			
CEO	18 months	12 months	1.5x target
Other Participants	12 months	12 months	1x target
<b>Change in Control Severance</b>			
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 in control severance, and in a lump sum in the case of a change in 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.



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### **EXECUTIVE COMPENSATION**

#### **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 all employees serving outside of their home country at the company's request, including NEOs, pursuant to its international assignment policy, which benefits fall into the category of perquisites or other personal benefits under applicable SEC rules. Certain benefits of this type were provided to Mr. Lewis in 2015 in connection with his relocation to Belgium and are included in the Summary Compensation Table under the heading "All Other Compensation."

### **CORPORATE GOVERNANCE POLICIES**

#### **Stock Ownership and Holding Requirements**

Our share 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 shares held outright, unvested restricted stock or RSUs, unvested performance award units and shares held in benefit plans. Our share 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 guideline before he or she can sell any shares acquired upon the exercise of options or the vesting of other awards, other than shares 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 share ownership requirement. 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 share ownership requirement.

#### **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. 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 2015, 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 Compensation Advisory Partners, LLC, management's compensation consultant, and reviewed by the Committee's independent executive compensation consultant, the Committee considered the following: (i) the mix of cash and equity compensation, which is balanced with a strong emphasis on long-term awards; (ii) goals and objectives of the company's compensation programs,

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**EXECUTIVE COMPENSATION**

reflecting both quantitative and qualitative performance measures and avoiding excessive weight on a single performance measure; (iii) 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; (iv) regular review of comparative compensation data to maintain competitive compensation levels in light of the company's industry, size and performance; (v) 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; (vi) the company's restrictions on engaging in hedging transactions in the company's securities; and (vii) the company's claw-back policy.

Based on its evaluation in 2015, 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 Internal Revenue Code generally disallows a federal tax deduction to public companies for compensation greater than \$1 million paid in any tax year to specified executive officers unless the compensation is qualified performance-based compensation under that section.

Certain of our compensation and benefit plans are designed to permit us to grant awards that may qualify as qualified performance-based compensation; however, it is possible that awards intended to qualify for the tax deduction may not so qualify if all requirements of the qualified performance-based compensation exemption are not met. Furthermore, although the Committee may take action intended to limit the impact of Section 162(m) of the Internal Revenue Code, it also believes that the tax deduction is only one of several relevant considerations in setting compensation. The Committee believes that the tax deduction limitation 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 in certain cases is not deductible for federal income tax purposes.

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**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 (Committee member beginning May 1, 2015)

Sanjay Khosla

Gregory Norden

Louise M. Parent

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**EXECUTIVE COMPENSATION**

**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, 2015, 2014 and 2013, 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. 2015 Grants of Plan-Based Awards Table.** The 2015 Grants of Plan-Based Awards Table summarizes all grants of plan-based awards made to our NEOs during the fiscal year ended December 31, 2015.
- 3. Outstanding Equity Awards at 2015 Fiscal Year-End Table.** The 2015 Outstanding Equity Awards at Fiscal Year-End Table summarizes the outstanding equity-based incentive awards held by our NEOs as of December 31, 2015.
- 4. 2015 Option Exercises and Stock Vested Table.** The 2015 Option Exercises and Stock Vested Table summarizes our NEOs' option exercises and equity-based award vesting during the fiscal year ended December 31, 2015.
- 5. 2015 Non-Qualified Deferred Compensation Table.** The 2015 Non-Qualified Deferred Compensation Table summarizes the activity during 2015 and account balances under our Supplemental Savings Plan as of December 31, 2015.
- 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, 2015.

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<b>Name</b>	<b>Year<sup>(1)</sup></b>	<b>Salary (\$)</b>	<b>Stock Awards<sup>(2)</sup> (\$)</b>	<b>Option Awards<sup>(3)</sup> (\$)</b>	<b>Non-Equity Incentive Plan Compensation<sup>(4)</sup> (\$)</b>	<b>All Other Compensation<sup>(5)</sup> (\$)</b>	<b>Total (\$)</b>
<b>Juan Ramón Alaix</b>	2015	1,115,000	3,733,253	1,866,663	1,705,393	261,878	8,682,187
Chief Executive Officer	2014	1,050,000	2,499,989	2,499,993	1,375,700	211,044	7,636,726
	2013	825,000	2,464,437	1,999,995	1,218,000	110,929	6,618,361
<b>Paul S. Herendeen</b>	2015	630,000	1,199,956	599,990	595,350	82,638	3,107,934
Executive Vice President and	2014 <sup>(6)</sup>	207,614	437,468	437,495	167,130	18,686	1,268,393
Chief Financial Officer							
<b>Kristin C. Peck</b>	2015	625,500	866,622	433,330	582,341	112,886	2,620,679
	2014	620,375	629,971	629,995	490,717	96,847	2,467,905

Executive Vice President and							
President of U.S. Operations	2013	605,000	1,601,562	559,994	443,000	91,466	3,301,022
<b>Clinton A. Lewis, Jr.</b>	2015	558,943	666,639	333,330	512,587	277,016	2,348,515
Executive Vice President and	2014	451,375	374,974	374,996	352,073	67,575	1,620,993
President of International Operations	2013	400,000	919,000	300,000	300,000	51,904	1,970,904
<b>Catherine A. Knupp</b>	2015	499,625	666,639	333,330	453,923	88,850	2,042,367
Executive Vice President and	2014	451,375	374,974	374,996	352,073	67,278	1,620,696
President of R&D	2013	400,000	909,844	300,000	280,000	48,931	1,938,775

(1) Although Zoetis was a separate company for only 11 months in 2013, the amounts shown in the Salary column for 2013 represent the full year 2013 earnings.

(2) 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 in 2015, and the aggregate grant date fair values for the RSUs granted by Zoetis in 2014 and 2013 (including Zoetis replacement RSU grants in 2013 provided to make up for Pfizer equity awards that were forfeited upon Zoetis separation from Pfizer). Further information regarding the 2015 awards is included in the 2015 Grants of Plan-Based Awards Table and the 2015 Outstanding Equity Awards at Fiscal Year-End Table. The aggregate grant date fair values have been determined in accordance with FASB ACS Topic 718 based on the assumptions and methodologies set forth in Note 15 to Zoetis 2015 Annual Report on Form 10-K, filed with the SEC on February 24, 2016. With respect to the performance award units

granted by Zoetis in 2015, the grant date fair value represents the target payout at the grant date based upon the probable outcome of the performance conditions; the amounts included for these performance award units in the Stock Award column of the Summary Compensation Table above are: Mr. Alaix, \$1,866,608; Mr. Herendeen, \$599,956; Ms. Peck, \$433,330, and \$333,316 each for Mr. Lewis and Dr. Knupp. The maximum value at the grant date assuming that the highest performance conditions would be achieved is: Mr. Alaix, \$3,733,216; Mr. Herendeen, \$1,199,912; Ms. Peck, \$866,660, and \$666,632 each for Mr. Lewis and Dr. Knupp. The table below shows the Pfizer equity awards, including RSUs, Performance Share Awards ( PSAs ), and Total Shareholder Return Units ( TSRUs ), that were forfeited by the NEOs (who were former employees of Pfizer) in 2013 and replaced by Zoetis RSU grants ( Replacement RSUs ) in August 2013; the Replacement RSUs are included in the amounts shown in this column for 2013.

Name	Number of Pfizer Units Forfeited			Number of	Grant Date
	RSUs	PSAs	TSRUs	Replacement	Value of Replacement
	RSUs	PSAs	TSRUs	RSUs	RSUs (\$)
Juan Ramón Alaix	8,389	7,931		15,471	464,439
Kristin C. Peck	7,705	7,295	66,918	34,696	1,041,574
Clinton A. Lewis, Jr.	12,647	2,294	20,971	20,620	619,012
Catherine A. Knupp	12,579	2,229	20,348	20,315	609,856

(3) The amounts shown in the Option Awards column represent the aggregate grant date fair values of the non-qualified stock options awarded by Zoetis in 2015, 2014 and 2013. Further information regarding the 2015 awards is included in the 2015 Grants of Plan-Based Awards Table and the 2015 Outstanding Equity Awards at Fiscal Year-End Table. The aggregate grant date fair values have been determined in accordance with FASB ACS Topic 718 based on the assumptions and methodologies set forth in Note 15 to Zoetis' 2015 Annual Report on Form 10-K, filed with the SEC on February 24, 2016.

(4) The amounts shown in this column represent annual cash incentive awards earned by our NEOs under the Zoetis Annual Incentive Plan for 2015, 2014 and 2013.

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(5) The following table sets forth the component amounts presented in the All Other Compensation column above for the year ended December 31, 2015.

<b>Name</b>	<b>Company Contributions Under the Zoetis Savings Plan</b>	<b>Company Contributions Under the Zoetis Supplemental Savings Plan</b>	<b>International Assignment</b>	<b>Other</b>	<b>All Other Compensation</b>
	<b>(i) (\$)</b>	<b>(ii) (\$)</b>	<b>(iii) (\$)</b>	<b>(iv) (\$)</b>	<b>(\$)</b>
Juan Ramón Alaix	10,600	235,820		15,458	261,878
Paul S. Herendeen	26,500	51,544		4,594	82,638
Kristin C. Peck	26,500	85,122		1,264	112,886
Clinton A. Lewis, Jr.	26,500	64,602	184,565	1,349	277,016
Catherine A. Knupp	26,500	58,670		3,680	88,850

(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 U.S. Internal Revenue Code of 1986, as amended ( IRC ). The company contribution to the ZSP for Mr. Alaix is lower than that of the other NEOs as he reached the IRC § 415 limit 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 2015 Non-Qualified Deferred Compensation Table.

(iii)

Effective July 1, 2015, in connection with his assumption of the role of President of International Operations, Mr. Lewis began an assignment in Belgium at the company's request and received international assignment benefits in line with those that are generally available to all Zoetis employees serving in international assignments. These benefits include \$47,304 for home-finding and relocation services, \$67,496 for housing and living costs, \$66,215 for education for his children residing with him in Belgium and \$3,550 for tax gross ups of certain benefits.

(iv) The amounts shown in this column represent the imputed income related to Zoetis' group term life insurance coverage in excess of \$50,000, as well as the fractional share value of RSUs that vested in 2015.

(6) Mr. Herendeen's 2014 amounts reflect partial year compensation as he was hired on September 2, 2014.

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Table of Contents**EXECUTIVE COMPENSATION****2015 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, 2015. All stock options, RSUs and performance award units granted to our NEOs in 2015 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 <sup>(1)</sup>			Estimated Future Payouts Under Equity Incentive Plan Awards <sup>(2)</sup>			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise Price or Award Amount (\$)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)			
Annual Incentive Stock Options <sup>(5)</sup>	2/27/2015	0	1,282,250	2,564,500					159,954	46
Restricted Stock Units <sup>(5)</sup>	2/27/2015							40,500		
Performance Award Units <sup>(6)</sup>	2/27/2015				0	29,563	59,126			
Annual Incentive Stock Options <sup>(5)</sup>	2/27/2015	0	441,000	882,000					51,413	46
Restricted Stock Units <sup>(5)</sup>	2/27/2015							13,018		
Performance Award Units <sup>(6)</sup>	2/27/2015				0	9,502	19,004			
Annual Incentive Stock Options <sup>(5)</sup>	2/27/2015	0	437,850	875,700					37,132	46

	Restricted Stock Units <sup>(5)</sup>	2/27/2015					9,401	
	Performance Award Units <sup>(6)</sup>	2/27/2015	0	6,863	13,726			
<b>Jr.</b>	Annual Incentive Stock Options <sup>(5)</sup>	2/27/2015	0	385,404	770,808			28,563 46
	Restricted Stock Units <sup>(5)</sup>	2/27/2015					7,232	
	Performance Award Units <sup>(6)</sup>	2/27/2015	0	5,279	10,558			
<b>pp</b>	Annual Incentive Stock Options <sup>(5)</sup>	2/27/2015	0	343,881	687,762			28,563 46
	Restricted Stock Units <sup>(5)</sup>	2/27/2015					7,232	
	Performance Award Units <sup>(6)</sup>	2/27/2015	0	5,279	10,558			

(1) The amounts represent the threshold, target and maximum non-equity incentive plan awards under the Zoetis Annual Incentive Plan for 2015.

(2) The amounts represent the threshold, target and maximum share payouts under our performance award unit program for the performance period beginning January 1, 2015 and ending December 31, 2017. The payment for threshold performance is 0% of the granted units, 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, and 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.

(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 15 to Zoetis' 2015 Annual Report on Form 10-K, filed with the SEC on February 24, 2016. The stock options are shown using a Black-Scholes value on the grant date of \$11.67, the RSUs are shown using the company's grant date closing stock price of \$46.09, and the performance award units are shown using a Monte Carlo simulation model value as of the grant date of \$63.14. 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 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 over a three-year performance period beginning January 1, 2015 and ending December 31, 2017. 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 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.

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## EXECUTIVE COMPENSATION

## OUTSTANDING EQUITY AWARDS AT 2015 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, 2015.

Name	Grant Date	Option Awards			Stock Awards			Equity	
		Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested <sup>(1)</sup> (#)	Market Value of Shares or Units of Stock That Have Not Vested <sup>(2)</sup> (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Rights That Have Not Vested <sup>(1)</sup> (#)	Market Value of Unearned Shares, Units or Rights That Have Not Vested <sup>(2)</sup> (\$)
Juan Ramón López	1/31/2013		285,306 <sup>(3)</sup>	26.00 <sup>(4)</sup>	1/31/2023	78,631 <sup>(3)</sup>	3,767,998		
	3/4/2014		312,109 <sup>(3)</sup>	30.89	3/3/2024	82,030 <sup>(3)</sup>	3,930,878		
	2/27/2015		159,954 <sup>(3)</sup>	46.09	2/26/2025	40,717 <sup>(3)</sup>	1,951,159	29,721 <sup>(5)</sup>	1,424,200
	Total		757,369			201,378	9,650,035	29,721	1,424,200
Paul S. Lorenzen	9/2/2014		50,636 <sup>(3)</sup>	35.48	9/1/2024	12,442 <sup>(3)</sup>	596,221		
	2/27/2015		51,413 <sup>(3)</sup>	46.09	2/26/2025	13,088 <sup>(3)</sup>	627,177	9,553 <sup>(5)</sup>	457,700
	Total		102,049			25,530	1,223,398	9,553	457,700
Christin C. Peck	1/31/2013		79,885 <sup>(3)</sup>	26.00 <sup>(4)</sup>	1/31/2023	22,016 <sup>(3)</sup>	1,055,007		
	8/15/2013					20,844 <sup>(6)</sup>	998,844		
	3/4/2014		78,651 <sup>(3)</sup>	30.89	3/3/2024	20,671 <sup>(3)</sup>	990,554		
	2/27/2015		37,132 <sup>(3)</sup>	46.09	2/26/2025	9,451 <sup>(3)</sup>	452,892	6,900 <sup>(5)</sup>	330,600
	Total		195,668			72,982	3,497,297	6,900	330,600
Clinton A. Sims, Jr.	1/31/2013		42,796 <sup>(3)</sup>	26.00 <sup>(4)</sup>	1/31/2023	11,794 <sup>(3)</sup>	565,168		
	8/15/2013					6,572 <sup>(6)</sup>	314,930		

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	3/4/2014	46,816 <sup>(3)</sup>	30.89	3/3/2024	12,304 <sup>(3)</sup>	589,608		
	2/27/2015	28,563 <sup>(3)</sup>	46.09	2/26/2025	7,271 <sup>(3)</sup>	348,426	5,307 <sup>(5)</sup>	254,3
	Total	118,175			37,941	1,818,132	5,307	254,3
<b>atherine A. upp</b>	1/31/2013	42,796 <sup>(3)</sup>	26.00 <sup>(4)</sup>	1/31/2023	11,794 <sup>(3)</sup>	565,168		
	8/15/2013				6,391 <sup>(6)</sup>	306,257		
	3/4/2014	46,816 <sup>(3)</sup>	30.89	3/3/2024	12,304 <sup>(3)</sup>	589,608		
	2/27/2015	28,563 <sup>(3)</sup>	46.09	2/26/2025	7,271 <sup>(3)</sup>	348,426	5,307 <sup>(5)</sup>	254,3
	Total	118,175			37,760	1,809,459	5,307	254,3

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

(2) Based on Zoetis closing stock price on December 31, 2015, of \$47.92.

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

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

(5) These performance award units are subject to three-year cliff vesting and are earned based on achievement of a performance goal over a three-year performance period beginning January 1, 2015 and ending December 31, 2017. 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 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.

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(6) Certain NEOs were Pfizer employees at the time of Zoetis' Initial Public Offering in February 2013 and continue to hold Pfizer Total Shareholder Return Units (TSRUs), that vested on June 24, 2013 upon Zoetis' separation from Pfizer. A portion of the original Pfizer TSRUs was forfeited and replaced by one-time Zoetis RSU awards on August 15, 2013, as described in Note 2 to the Summary Compensation Table, which are included here in this column. These Zoetis replacement RSUs vest on August 15, 2016. Pfizer TSRUs outstanding as of December 31, 2015, are summarized in the schedule below. 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.

Grant Date	Number of Securities Underlying Outstanding TSRUs Vested and Held by Each NEO as of December 31, 2015 <sup>(a)</sup>			
	Juan Ramón Alaix	Kristin C. Peck	Clinton A. Lewis, Jr.	Catherine A. Knupp
2/24/2011 <sup>(b)</sup>	42,348	26,534	9,071	9,071
2/24/2011 <sup>(c)</sup>	35,058	21,966	7,510	7,510
2/23/2012 <sup>(d)</sup>	53,635	22,916	7,010	6,740
2/23/2012 <sup>(e)</sup>	45,468	19,427	5,942	5,714
	176,509	90,843	29,533	29,035

(a) Mr. Herendeen is not a former Pfizer employee and is not included in this table.

(b) These Pfizer TSRUs have an exercise price of \$18.90 and become payable on February 24, 2016.

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

(d) These Pfizer TSRUs have an exercise price of \$21.03 and become payable on February 23, 2017.

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

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**Table of Contents****EXECUTIVE COMPENSATION****2015 OPTION EXERCISES AND STOCK VESTED TABLE**

The following table provides additional information about the number and value of RSUs that vested during the year ended December 31, 2015. None of the NEOs exercised any Zoetis stock options during 2015.

Name	Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Vesting (\$) <sup>(1)</sup>
Juan Ramón Alaix	11,364 <sup>(2)</sup>	517,971
Paul S. Herendeen		
Kristin C. Peck	10,928 <sup>(2)</sup>	498,098
Clinton A. Lewis, Jr.	13,207 <sup>(3)</sup>	625,059
Catherine A. Knupp	13,078 <sup>(4)</sup>	619,179

(1) Calculated by multiplying the number of vested RSUs by the Zoetis closing stock price on the vesting date (\$45.58 on February 23, 2015 and \$47.92 on December 31, 2015).

(2) These RSU awards vested on February 23, 2015.

(3) On February 23, 2015, 3,342 RSUs vested. On December 31, 2015, 9,865 RSUs vested.

(4) On February 23, 2015, 3,213 RSUs vested. On December 31, 2015, 9,865 RSUs vested.

**2015 Pfizer Option Exercises and Stock Vested Information**

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 RSUs and PSAs that vested in 2015 and TSRUs that settled in 2015.

Name <sup>(a)</sup>	TSRU Awards <sup>(b)</sup>		Stock Awards	
	Number of Shares Acquired on	Value Realized on Exercise	Number of Shares Acquired on Vesting	Value Realized on Vesting

	Exercise	(\$)	(#)	(\$)
	(#)			
<b>Juan Ramón Alaix</b>	22,176	768,620	7,642	263,486 <sup>(c)</sup>
<b>Kristin C. Peck</b>	17,485	606,030	2,413	83,635 <sup>(d)</sup>
<b>Clinton A. Lewis, Jr.</b>	7,062	244,769	738	25,579 <sup>(d)</sup>
<b>Catherine A. Knupp</b>	6,311	218,739	710	24,609 <sup>(d)</sup>

(a) Mr. Herendeen is not a former Pfizer employee and is not included in this table.

(b) These Pfizer TSRUs (having vested on February 25, 2013) were paid in Pfizer stock on February 25, 2015, at the Pfizer closing stock price of \$34.66.

(c) For Mr. Alaix, 5,132 Pfizer RSUs vested and were paid in Pfizer stock on February 23, 2015, at the closing price of \$34.39, and 2,510 Pfizer PSAs vested and were paid in Pfizer stock on February 25, 2015, at the closing price of \$34.66. Mr. Alaix' Pfizer RSUs were not cancelled because he was retirement-eligible at the time of Zoetis separation from Pfizer.

(d) These Pfizer PSAs vested and were paid in Pfizer stock on February 25, 2015, at the closing price of \$34.66.

Table of Contents**EXECUTIVE COMPENSATION****2015 NON-QUALIFIED DEFERRED COMPENSATION TABLE**

The following table summarizes activity during 2015 and account balances in the Zoetis Supplemental Savings Plan ( ZSSP ) for our NEOs as of December 31, 2015. 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 <sup>(1)</sup>	Aggregate	Executive	Company	Aggregate	Aggregate	Aggregate
		Balance	Contributions	Contributions	Earnings	Withdrawals	Balance as
		at	in 2015 <sup>(3)</sup>	in 2015 <sup>(4)</sup>	in 2015	in	of
		January 1,				December 31,	
		2015 <sup>(2)</sup>				2015	2015
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
<b>Juan Ramón Alaix</b>	Zoetis Supplemental Savings Plan	3,023,542	1,079,640	235,820	82,910		4,421,912
<b>Paul S. Herendeen</b>	Zoetis Supplemental Savings Plan		74,813	51,544	66		126,423
<b>Kristin C. Peck</b>	Zoetis Supplemental Savings Plan	759,442	46,121	85,122	27,306		917,991
<b>Clinton A. Lewis, Jr.</b>	Zoetis Supplemental Savings Plan	139,209	38,761	64,602	9,055		251,627
<b>Catherine A. Knupp</b>	Zoetis Supplemental Savings Plan	836,291 <sup>(5)</sup>	103,759	58,670	(12,791)		985,929

(1) The key features of the ZSSP are described in the Compensation Discussion and Analysis.

(2) Amounts in this column that were previously reported in the Summary Compensation Table for the years 2013 and 2014 (combined) are as follows: Mr. Alaix: \$1,368,989, Ms. Peck: \$219,980, Mr. Lewis: \$113,343, and Dr. Knupp: \$194,550.

(3) Executive contribution amounts shown in this column are reflected in the Salary column of the Summary Compensation Table.

- (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, 2015 shown for Dr. Knupp has been restated from the amount shown in the Aggregate Balance as of December 31, 2014 column in the 2014 Non-Qualified Deferred Compensation Table to include an additional amount of \$6,021 that was transferred from the ZSP, resulting from an analysis of contributions to the ZSP that was completed during the first quarter of 2015. This analysis is conducted annually to ensure that contributions made by highly compensated individuals, including our NEOs, to the ZSP are made in compliance with IRC rules and limits, which cannot be determined until after the end of the fiscal year.

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Table of Contents**EXECUTIVE COMPENSATION****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, 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 is in connection with, or within 24 months after, a change in control of the company. 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, 2015. Payment of severance benefits is contingent upon the execution of a release agreement.

<b>Name</b>	<b>Description</b>	<b>Without Cause: Individual Position Elimination (\$)</b>	<b>Without Cause: Restructuring (\$)</b>	<b>Without Cause or for Good Reason Upon or Within 24 Months Following a Change in Control (\$)</b>	<b>Death or Disability (\$)</b>	<b>Retirement (\$)</b>
<b>Juan Ramón Alaix</b>	Severance Amount	3,612,000 <sup>(1)</sup>	3,612,000 <sup>(1)</sup>	6,020,000 <sup>(6)</sup>		
	Value of Benefits Continuation	14,721 <sup>(2)</sup>	14,721 <sup>(2)</sup>	22,082 <sup>(7)</sup>		
	Value of Outplacement Services	16,560 <sup>(3)</sup>	16,560 <sup>(3)</sup>	16,560 <sup>(3)</sup>		
	Equity Acceleration	17,622,661 <sup>(4)</sup>	19,886,167 <sup>(5)</sup>	22,936,098 <sup>(8)</sup>	22,936,098 <sup>(9)</sup>	17,622,661 <sup>(10)</sup>
	<b>Total</b>	<b>21,265,942</b>	<b>23,529,448</b>	<b>28,994,740</b>	<b>22,936,098</b>	<b>17,622,661</b>
<b>Paul S. Herendeen</b>	Severance Amount	1,071,000 <sup>(1)</sup>	1,071,000 <sup>(1)</sup>	2,142,000 <sup>(6)</sup>		

	Value of Benefits Continuation	19,811 <sup>(2)</sup>	19,811 <sup>(2)</sup>	29,716 <sup>(7)</sup>		
	Value of Outplacement Services	16,560 <sup>(3)</sup>	16,560 <sup>(3)</sup>	16,560 <sup>(3)</sup>		
	Equity Acceleration		1,621,287 <sup>(5)</sup>	2,405,160 <sup>(8)</sup>	2,405,160 <sup>(9)</sup>	
	Total	1,107,371	2,728,658	4,593,436	2,405,160	
<b>Kristin C. Peck</b>	Severance Amount	1,063,350 <sup>(1)</sup>	1,063,350 <sup>(1)</sup>	2,126,700 <sup>(6)</sup>		
	Value of Benefits Continuation	20,127 <sup>(2)</sup>	20,127 <sup>(2)</sup>	30,190 <sup>(7)</sup>		
	Value of Outplacement Services	16,560 <sup>(3)</sup>	16,560 <sup>(3)</sup>	16,560 <sup>(3)</sup>		
	Equity Acceleration	3,567,275 <sup>(4)</sup>	6,034,973 <sup>(5)</sup>	6,986,394 <sup>(8)</sup>	6,986,394 <sup>(9)</sup>	
	Total	4,667,312	7,135,010	9,159,844	6,986,394	
<b>Clinton A. Lewis, Jr.</b>	Severance Amount	1,020,000 <sup>(1)</sup>	1,020,000 <sup>(1)</sup>	2,040,000 <sup>(6)</sup>		
	Value of Benefits Continuation	19,911 <sup>(2)</sup>	19,911 <sup>(2)</sup>	29,866 <sup>(7)</sup>		
	Value of Outplacement Services	16,560 <sup>(3)</sup>	16,560 <sup>(3)</sup>	16,560 <sup>(3)</sup>		
	Equity Acceleration	1,736,690 <sup>(4)</sup>	3,296,968 <sup>(5)</sup>	3,860,087 <sup>(8)</sup>	3,860,087 <sup>(9)</sup>	
	Total	2,793,161	4,353,439	5,946,513	3,860,087	
<b>Catherine A. Knupp</b>	Severance Amount	867,000 <sup>(1)</sup>	867,000 <sup>(1)</sup>	1,734,000 <sup>(6)</sup>		
	Value of Benefits Continuation	19,710 <sup>(2)</sup>	19,710 <sup>(2)</sup>	29,564 <sup>(7)</sup>		
	Value of Outplacement Services	16,560 <sup>(3)</sup>	16,560 <sup>(3)</sup>	16,560 <sup>(3)</sup>		
	Equity Acceleration	2,885,901 <sup>(4)</sup>	3,290,091 <sup>(5)</sup>	3,851,404 <sup>(8)</sup>	3,851,404 <sup>(9)</sup>	2,885,901 <sup>(10)</sup>
	Total	3,789,171	4,193,361	5,631,528	3,851,404	2,885,901

(1) These amounts represent severance payable under the Zoetis Executive Severance Plan, equal to 18 months of base salary and target annual incentive for the year of termination for the CEO, and equal to 12 months of 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.

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**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 NEO 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 due to an individual position elimination, using Zoetis' closing stock price of \$47.92 on December 31, 2015. In the event of the executive's involuntary termination of employment without cause due to an individual position elimination, unvested RSUs granted in 2013 vest on a pro-rata basis while unvested stock options granted in 2013 fully vest. Stock option awards granted in 2013 held by retirement-eligible employees (Mr. Alaix and Dr. Knupp are retirement-eligible) will continue to vest under the original vesting schedule and have the remaining option term to exercise. Stock options, RSUs, and performance award units granted after 2013 are forfeited in the event of an involuntary termination of employment without cause of a non-retirement-eligible employee due to an individual position elimination.
- (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, using Zoetis' closing stock price of \$47.92 on December 31, 2015. In the event of the executive's involuntary termination of employment without cause due to a restructuring, 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 employees (Mr. Alaix and Dr. Knupp are retirement-eligible) 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 of base salary and target annual incentive for the year of termination for the CEO, and equal to 24 months of 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 change in control.
- (7) These amounts represent the cost of 18 months of active health and life insurance coverage at the levels provided to the applicable NEO 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 change in control using Zoetis' closing stock price of \$47.92 on December 31, 2015. In the event of the executive's involuntary termination of employment without cause or for good reason within 24 months after a change in control, 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 \$47.92 on December 31, 2015. 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) using Zoetis' closing stock price of \$47.92 on December 31, 2015 (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, for awards held for at least one year, unvested stock options 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.

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Table of Contents**EXECUTIVE COMPENSATION****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, 2015.

<b>Plan Category</b>	<b>Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights</b> <b>(a)</b>	<b>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights</b> <b>(b)</b>	<b>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))</b> <b>(c)</b>
Equity compensation plans approved by security holders	8,133,033 <sup>(1)</sup>	\$31.03	15,824,420
Equity compensation plans not approved by security holders			
<b>Total</b>	<b>8,133,033</b>	<b>\$31.03</b>	<b>15,824,420</b>

(1) Includes 5,947,719 stock options, 72,246 shares underlying deferred stock units (granted in 2013 and 2014 to non-employee directors), 1,970,635 shares underlying RSUs and 142,433 shares underlying performance award units. The weighted-average exercise price is only applicable to stock options.

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**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 III, whose terms expire at the 2016 Annual Meeting, are Juan Ramón Alaix, Paul M. Bisaro, Frank A. D. Amelio and Michael B. McCallister. 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 2019 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.

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 **Juan Ramón Alaix, Paul M. Bisaro, Frank A. D. Amelio and Michael B. McCallister** to serve as directors of Zoetis until our 2019 Annual Meeting and until their successors are elected and qualified, or until their earlier death, resignation or removal. Unless instructed otherwise, proxy holders intend to vote the proxies received by them in response to this solicitation **FOR** the election of the nominees named above as directors. If any such nominee should refuse or be unable to serve, the proxies will be voted for such person as shall be designated by the Board of Directors to replace such nominee. The Board of Directors has no reason to believe that any of its nominees will refuse or be unable to serve as a director if elected. If any substitute nominees are designated, we will file an amended Proxy Statement and proxy card that, as applicable, identifies the substitute nominees, discloses that such nominees have consented to being named in the revised Proxy Statement and to serve if elected, and includes biographical and other information about such nominees required by the rules of the SEC.

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.

**ITEM 1 RECOMMENDATION: OUR BOARD OF DIRECTORS RECOMMENDS**

**THAT YOU VOTE FOR THE ELECTION OF MR. ALAIX, MR. BISARO,**

**MR. D. AMELIO AND MR. MCCALLISTER AS DIRECTORS.**

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## ITEM 1 ELECTION OF DIRECTORS

## INFORMATION ABOUT DIRECTORS

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

<b>Name</b>	<b>Age<sup>(1)</sup></b>	<b>Position(s) with the Company</b>	<b>Term Expires</b>
Juan Ramón Alaix	64	Chief Executive Officer and Director	2016 <sup>(2)</sup>
Paul M. Bisaro	55	Director	2016 <sup>(2)</sup>
Frank A. D. Amelio	58	Director	2016 <sup>(2)</sup>
William F. Doyle	53	Director	2017 <sup>(3)</sup>
Sanjay Khosla	64	Director	2018
Michael B. McCallister	63	Non-Executive Chair of the Board and Director	2016 <sup>(2)</sup>
Gregory Norden	58	Director	2017
Louise M. Parent	65	Director	2017
Willie M. Reed	61	Director	2018
Robert W. Scully	66	Director	2017
William C. Steere, Jr.	79	Director	2018

(1) As of April 1, 2016.

(2) Nominee for re-election at the 2016 Annual Meeting for a term expiring in 2019.

(3) Pursuant to a Letter Agreement between Zoetis Inc. and Pershing Square Capital Management L.P. (Pershing Square), Mr. Doyle's term as a director of Zoetis will expire at the company's 2016 Annual Meeting of Shareholders. The Letter Agreement provides that if Pershing Square desires to have Mr. Doyle remain on the Zoetis Board through the company's 2017 Annual Meeting and delivers appropriate notice to the company to that effect, the Zoetis Board will appoint Mr. Doyle as a Class I director with a term expiring at the 2017 Annual Meeting. The foregoing description of the Letter Agreement is qualified in its entirety by reference to the full text of the Letter Agreement, which was previously filed as Exhibit 99.1 to Zoetis Inc.'s February 4, 2015 Current Report on Form 8-K.

Set forth below is certain information with respect to the director nominees and continuing directors. Unless otherwise indicated, the principal occupation listed below for each person has been his or her principal occupation for the past five years. In addition, described below are each director's particular experiences, qualifications, attributes or skills that contributed to the Board's conclusion that the person should continue to serve as a director of the company.

#### **BACKGROUND TO THE BOARD'S RECOMMENDATION IN FAVOR OF THE ZOETIS NOMINEES**

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 sections titled "Corporate Governance Committee" and "Director Nominations" above. In particular, the Corporate Governance Committee and the Board consider the following when evaluating and selecting nominees: the candidate's integrity; independence; diversity of experience; leadership ability; record of exercising sound judgment; animal health or veterinary expertise; prior government service; and prior policy-making experience involving issues affecting business, government, education, and technology, as well as other areas relevant to the company's global business.

The Corporate Governance Committee and the Board have evaluated each of Mr. Alaix, Mr. Bisaro, Mr. D'Amelio and Mr. McCallister 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 the proposed nominees listed below to continue to serve as a director of Zoetis.

The Zoetis Board recommends that you vote on your proxy card or voting instruction form **FOR** the election of Mr. Alaix, Mr. Bisaro, Mr. D'Amelio and Mr. McCallister to serve as directors of Zoetis until our 2019 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 bringing extraordinarily valuable insight, perspective and expertise to the Board.

In each individual's biography set forth below, 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.



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**ITEM 1 ELECTION OF DIRECTORS**

**DIRECTOR NOMINEES**

**JUAN RAMÓN ALAIX**

Age 64

Director since July 2012

**Chief Executive Officer of our company** since July 2012. From 2006 to 2012 he 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 35 years' experience in finance and management, including 20 years in the 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), and he continues to serve as a member of its board and executive committee. IFAH 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's 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.

**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

**PAUL M. BISARO**

Age 55

Director since May 2015

**Executive Chairman of the Board of Directors of Allergan plc** (formerly Actavis plc) since July 2014. Mr. Bisaro served as Chairman, President and Chief Executive Officer of Actavis until June 2014. He was appointed President, Chief Executive Officer and a member of the board of Actavis in September 2007 and he was appointed Chairman of the Board in October 2013. Prior to joining Actavis (formerly Watson Pharmaceuticals), 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, he 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 Zimmer Biomet Holdings, Inc., a designer and manufacturer of orthopaedic devices and surgical products, and on the Board of Visitors of The Catholic University of America’s Columbus School of Law. 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 service make him a valuable member of our Board.

**Specific qualifications, experience, skills, and expertise:**

Extensive business, operations and senior management experience, including as former CEO of Actavis

Experience in global healthcare and pharmaceutical industries

Public company director experience

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**ITEM 1 ELECTION OF DIRECTORS**

**FRANK A. D AMELIO**

Age 58

Director since July 2012

**Executive Vice President, Business Operations, and Chief Financial Officer of Pfizer** 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, where he 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 business, management and leadership experience and his experience serving on the board of another public company make him a valuable member of our Board.

**Specific qualifications, experience, skills, and expertise:**

Extensive management experience, including as a member of Pfizer's executive team

Experience in finance and accounting, including as CFO of Pfizer

Global business experience

Public company director experience

**MICHAEL B. MCCALLISTER**

Age 63

Director since January 2013;

Board Chair since June 2013

**Former Chairman of the Board of Humana Inc.** (2010-2013), a health care company that offers a wide range of insurance products and health and welfare services, where he led the board's corporate governance efforts. 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, Fifth Third Bank, and Bellarmine University. Mr. McCallister holds a bachelor's degree in accounting from Louisiana Tech University and an MBA from Pepperdine University. Mr. McCallister's extensive business and management experience in the health care industry and public company board service make him a valuable member of our Board.

**Specific qualifications, experience, skills, and expertise:**

Extensive business and senior management experience, including as former CEO of Humana

Background in accounting

Experience in corporate governance

Public company director experience

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**ITEM 1 ELECTION OF DIRECTORS**

**CONTINUING DIRECTORS**

**WILLIAM F. DOYLE**

Age 53

Director since February 2015

**Member of Pershing Square Capital Management L.P.**, a registered investment advisor, since 2013, where he serves as a senior advisor focused on the healthcare industry. Since 2003, Mr. Doyle has been the Managing Partner of WFD Ventures LLC, an investor in early-stage human healthcare device, drug and service companies. Previously, as an executive at Johnson & Johnson, Mr. Doyle was a member of Johnson & Johnson's Consumer Pharmaceuticals and Medical Devices Group Operating Committee with responsibility for licensing, acquisitions and strategy. He was also Chairman of Johnson & Johnson's Medical Devices Research and Development Council, Worldwide President of Biosense-Webster, and a member of the internal boards of directors of Cordis Corporation and Johnson & Johnson Development Corporation (J&J's venture capital subsidiary). Earlier, Mr. Doyle was a management consultant with McKinsey & Co. working in McKinsey's Global Healthcare practice group. Mr. Doyle serves as chairman of the board of Novocure Ltd., a public company since October 2, 2015, that is commercializing a new therapeutic modality for glioblastoma and other solid tumors; and is a member of the boards of several private companies, including Optinose, Inc., a developer of new therapies for migraine, nasal inflammatory disease and autism. In addition, Mr. Doyle is a member of the Dean's Board of Advisors of Harvard Business School; Harvard Business School's Healthcare Advisory Board; and the MIT Corporation's visiting committee for undergraduate education. Mr. Doyle holds a bachelor's degree in materials science and engineering from the Massachusetts Institute of Technology and an MBA from Harvard Business School. Mr. Doyle's extensive business and management experience in the health care industry and board service make him a valuable member of our Board.

**Specific qualifications, experience, skills, and expertise:**

Extensive business, operating and senior management experience, including as a former member of Johnson & Johnson's executive team

Experience in the global healthcare and pharmaceutical industries

Research and development expertise

Background in science and medical device technology

**SANJAY KHOSLA**

Age 64

Director since June 2013

**Former Executive Vice President of Mondelēz International.** 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 to a \$16 billion business, while significantly improving profitability. He also has animal health experience from his three-year tenure (2004 – 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 NIIT, Ltd., a company involved in technology-related educational services. 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. 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. Mr. Khosla's international business and management experience and his experience serving on the board of another public company make him a valuable member of our Board.

**Specific qualifications, experience, skills, and expertise:**

Extensive international business and management experience

Experience in animal health industry

Global operational experience, including in developing markets

Public company director experience

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**ITEM 1 ELECTION OF DIRECTORS**

**GREGORY NORDEN**

Age 58

Director since January 2013

**Managing Director of G9 Capital Group, LLC**, which invests in early stage ventures and provides corporate financial advisory services. From 1989 to 2010, Mr. Norden held various senior positions with Wyeth/American Home Products, most recently as Wyeth's Senior Vice President and Chief Financial Officer. Prior to this role, Mr. Norden was Executive Vice President and Chief Financial Officer of Wyeth Pharmaceuticals. Prior to his affiliation with Wyeth, Mr. Norden served as Audit Manager at Arthur Andersen & Co. Mr. Norden also serves on the boards of 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. Mr. Norden's background in finance and experience as a senior executive in the global healthcare and pharmaceutical industries make him a valuable member of our Board.

**Specific qualifications, experience, skills, and expertise:**

Extensive experience in corporate finance, including as former CFO 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

**LOUISE M. PARENT**

Age 65

Director since August 2013

**Former Executive Vice President and General Counsel of American Express Company (2003-2013).** 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 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. 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 and risk management, and global management makes her a valuable member of our Board.

**Specific qualifications, experience, skills, and expertise:**

Extensive experience in corporate governance and board matters

Extensive experience in compliance and risk management

Operating and senior management experience as former General Counsel of American Express

Global business experience

Legal background



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**ITEM 1 ELECTION OF DIRECTORS**

**WILLIE M. REED**

Age 61

Director since March 2014

**Dean of the College of Veterinary Medicine at Purdue University** since 2006. 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 currently serves on the American Veterinary Medical Association's Member Services Committee. 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 deep understanding of veterinary medicines and vaccines and his leadership experience in the animal health community make him a valuable member of our Board.

**Specific qualifications, experience, skills, and expertise:**

Doctorate in veterinary medicine

Expert in avian pathology, diagnostic medicine and infectious diseases

Scientific understanding of veterinary medicines and vaccines

Extensive leadership experience in the animal health community

**ROBERT W. SCULLY**

Age 66

Director since June 2013

**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, and Chubb Limited (formerly ACE Limited), a global property and casualty company, and is a Public Governor of FINRA, the Financial Industry Regulatory Authority. Previously, he served as a director of Bank of America Corporation, GMAC Financial Services and MSCI Inc. Mr. Scully holds a bachelor's degree from Princeton University and an MBA from Harvard Business School. Mr. Scully's global management experience, business development knowledge, and investor insights make him a valuable member of our Board.

**Specific qualifications, experience, skills, and expertise:**

Extensive experience in financial services

Global management experience

Public company director experience

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**ITEM 1 ELECTION OF DIRECTORS**

**WILLIAM C. STEERE, JR.**

Age 79

Director since January 2013

**Chairman Emeritus of Pfizer** 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 extensive business and management experience, his public company board service and his knowledge of the animal health business obtained through his service with Pfizer make him a valuable member of our Board.

**Specific qualifications, experience, skills, and expertise:**

Extensive senior management experience, including as former CEO of Pfizer

Knowledge of animal health business

Global business experience

Public company director experience

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**ITEM 1 ELECTION OF DIRECTORS**

**EXECUTIVE OFFICERS**

The following persons currently serve as our executive officers.

**JUAN RAMÓN ALAIX**

Age 64

**Chief Executive Officer and Director**

Information about Mr. Alaix is provided on page 52.

**PAUL S. HERENDEEN**

Age 60

**Executive Vice President and Chief Financial Officer**

Mr. Herendeen has served as our Executive Vice President and Chief Financial Officer since September 2014. He served as Executive Vice President and Chief Financial Officer of Warner Chilcott PLC, a specialty pharmaceutical company, from 2005 to 2013 and from 1998 to 2000, and was a director of Warner Chilcott in 2013 and from 1996 to 2000. From 2001 to 2004, Mr. Herendeen was Executive Vice President and Chief Financial Officer of MedPointe, Inc., a specialty pharmaceutical company acquired by Meda AB.

**ALEJANDRO BERNAL**

Age 43

**Executive Vice President and Group President, Strategy, Commercial and Business Development**

Mr. Bernal has served as our Executive Vice President and Group President, Strategy, Commercial and Business Development since May 2015. From October 2012 through April 2015 he served as our Executive Vice President and Area President of the Europe, Africa and Middle East region. He was Area President of the Europe, Africa and Middle East region for Pfizer's animal health business unit from 2010 to 2012. Mr. Bernal joined Pfizer in 2000 and held various positions, including Area President of the Canada and Latin America region; Regional Director of Southwest and Central Latin America; Division Director for Central America and Colombia; Swine and Poultry Team Leader for Mexico; and Swine Product Manager for Northern Latin America for Pfizer Animal Health.

**HEIDI C. CHEN**

Age 49

**Executive Vice President, General Counsel and Corporate Secretary**

Ms. Chen has served as our Executive Vice President and General Counsel since October 2012, as our Corporate Secretary since July 2012 and was Vice President and Chief Counsel of Pfizer Animal Health from 2009 to 2012. Ms. Chen joined Pfizer in 1998 and held various legal and compliance positions, including lead counsel for Pfizer's established products business unit.

**CATHERINE A. KNUPP**

Age 55

**Executive Vice President and President of Research and Development**

Dr. Knupp has served as our Executive Vice President and President of Research and Development since October 2012 and was Vice President of Pfizer's Veterinary Medicine Research and Development business unit from 2005 to 2012. Dr. Knupp joined Pfizer in July 2001 and held various positions, including Vice President of Pfizer's Michigan laboratories for Pharmacokinetics, Dynamics and Metabolism.

**ROXANNE LAGANO**

Age 51

**Executive Vice President and Chief Human Resources Officer**

Ms. Lagano has served as our Executive Vice President and Chief Human Resources Officer since October 2012. Ms. Lagano joined Pfizer in 1997 and held various positions, including Senior Vice President, Pfizer Global Compensation, Benefits and Wellness; and Senior Director, Business Transactions, Pfizer Worldwide Human Resources.

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**ITEM 1 ELECTION OF DIRECTORS**

**CLINTON A. LEWIS, JR.**

Age 49

**Executive Vice President and President of International Operations**

Mr. Lewis has served as our Executive Vice President and President, International Operations since May 2015. From October 2012 through April 2015 he served as our Executive Vice President and President of U.S. Operations, and from 2007 to 2012 he was President of U.S. Operations for Pfizer Animal Health. Mr. Lewis joined Pfizer in 1988 and held various positions across sales, marketing and general management, including Senior Vice President of Sales, U.S.; General Manager, Pfizer Caribbean; and General Manager, U.S. Anti-Infectives.

**KRISTIN C. PECK**

Age 44

**Executive Vice President and President of U.S. Operations**

Ms. Peck has served as our Executive Vice President and President, U.S. Operations since May 2015. From October 2012 through April 2015, she served as our Executive Vice President and Group President. Ms. Peck joined Pfizer in 2004 and held various positions, including Executive Vice President, Worldwide Business Development and Innovation; Senior Vice President, Worldwide Business Development, Strategy and Innovation; Vice President, Strategic Planning; Chief of Staff to the Vice Chairman; and Senior Director, Strategic Planning. Ms. Peck also served as a member of Pfizer's Executive Leadership Team.

**ROMAN TRAWICKI**

Age 52

**Executive Vice President and President of Global Manufacturing and Supply**

Mr. Trawicki has served as our Executive Vice President, Global Manufacturing and Supply since May 2015. He joined Zoetis in January 2015 as President, Global Manufacturing and Supply. From 2009 to 2014, he was GE Healthcare's General Manager of Global Supply Chain for Medical Diagnostics, where he focused on diagnostics, injectable contrast media and nuclear medicines.

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**ITEM 2 ADVISORY VOTE TO APPROVE EXECUTIVE**

**COMPENSATION (SAY ON PAY)**

As required by the Dodd-Frank Wall Street Reform and Consumer Protection Act, 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 compensation tables and accompanying narrative disclosure, as provided on pages 19 to 49 of this proxy statement.

Pursuant to Section 14A of the Exchange Act of 1934 (the Exchange Act ), an advisory vote on the frequency of shareholder votes on executive compensation was conducted in connection with the 2014 Annual Meeting of Shareholders. At that meeting, our shareholders agreed, and our Board subsequently approved, that the advisory vote on executive compensation be held on an annual basis. Accordingly, and pursuant to Section 14A of the Exchange Act, we are giving you an opportunity to express your view of our 2015 executive compensation programs and policies. While the vote does not address any specific item of compensation and is not binding on the Board, the Compensation Committee will consider the outcome of the vote when making future executive compensation decisions.

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 leadership 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****ITEM 3 RATIFICATION OF SELECTION OF INDEPENDENT****REGISTERED PUBLIC ACCOUNTING FIRM**

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, 2016. KPMG served as our independent accounting firm for 2013, 2014 and 2015, 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 2016. 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 and 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 KPMG AS OUR INDEPENDENT  
REGISTERED PUBLIC ACCOUNTING FIRM FOR 2016.**

**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, 2015 and 2014 for the audits of our financial statements, and fees for other services rendered by KPMG during those periods.

	<b>2015</b>	<b>2014</b>
Audit services	\$ 13,298,150	\$ 12,064,650
Audit-related services	125,000	82,000
Tax services	656,171	483,947
Total fees	\$ 14,079,321	\$ 12,630,597

Audit services 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 comfort letters. Audit services includes reimbursement for direct out-of-pocket travel and other sundry expenses, which were approximately \$400,000 for the year ended December 31, 2015.

Audit-related services 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 Services, including audits of employee benefit plans, special procedures to meet certain statutory requirements, and agreed-upon procedures related to contract compliance.

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

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**ITEM 3 RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**POLICY ON PRE-APPROVAL OF AUDIT FIRM SERVICES**

In 2013, subsequent to our IPO and consistent with requirements of the SEC and the Public Company Accounting Oversight Board ( PCAOB ) regarding auditor independence, the Audit Committee had responsibility 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; assisting with coordination of execution of tax-related activities, primarily in the area of corporate development; supporting 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 2014 and 2015 were pre-approved by our Audit Committee in accordance with the above policy.

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**ITEM 3 RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**REPORT OF THE AUDIT COMMITTEE**

A 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, 2015, be included in the company's 2015 Annual Report on Form 10-K that was filed with the SEC on February 24, 2016. The Audit Committee has also recommended, and the Board has approved, the appointment of KPMG as our independent auditors for the fiscal year ending December 31, 2016.

**THE AUDIT COMMITTEE**

Gregory Norden, Chair

Louise M. Parent

Robert W. Scully

William C. Steere, Jr.

**ZOETIS 2016 PROXY STATEMENT 63**

Table of Contents**OWNERSHIP OF OUR COMMON STOCK**

The table below shows how many shares of Zoetis common stock certain individuals and entities beneficially owned on February 29, 2016. 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 40, 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 except as described below.

Name of Beneficial Owner	Number of Shares Owned (1)(2)	Percent of Class (%) (3)
<b>5% Beneficial Owners:</b>		
BlackRock, Inc. <sup>(4)</sup> 55 East 52nd Street New York, NY 10022	33,730,813	6.79%
Pershing Square Capital Management, L.P. <sup>(5)</sup> 888 Seventh Avenue, 42 <sup>nd</sup> Floor New York, NY 10019	41,823,145	8.41%
The Vanguard Group <sup>(6)</sup> 100 Vanguard Blvd. Malvern, PA 19355	27,468,403	5.53%
<b>Directors and Named Executive Officers:</b>		
Paul M. Bisaro		*
Frank A. D. Amelio	14,361	*
William F. Doyle		*
Sanjay Khosla	9,361	*

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Michael B. McCallister	17,119	*
Gregory Norden	13,188	*
Louise M. Parent	9,361	*
Willie M. Reed	4,603	*
Robert W. Scully	9,361	*
William C. Steere, Jr.	14,619	*
Juan Ramón Alaix	55,916	*
Paul S. Herendeen	71	*
Kristin C. Peck	23,566	*
Clinton A. Lewis, Jr.	20,440	*
Catherine A. Knupp	18,580	*
Directors and executive officers as a group (19 persons)	244,870	*

\* Less than 1%.

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**Table of Contents****OWNERSHIP OF OUR COMMON STOCK**

(1) For non-employee directors, includes the following shares underlying vested deferred stock units and related dividend equivalent units which directors have a right to acquire within 60 days after leaving our Board, but excludes shares underlying restricted stock units which do not vest within 60 days of February 29, 2016:

<b>Name</b>	<b># of Shares</b>
Frank A. D. Amelio	9,361
Sanjay Khosla	9,361
Michael B. McCallister	10,119
Gregory Norden	10,119
Louise M. Parent	9,361
Willie M. Reed	4,603
Robert W. Scully	9,361
William C. Steere, Jr.	10,119
All directors as a group	72,404

(2) Includes the following shares held by executive officers in our 401(k) plan:

<b>Name</b>	<b># of</b>
-------------	-------------

	Shares
Juan Ramón Alaix	713
Paul S. Herendeen	71
Kristin C. Peck	804
Clinton A. Lewis, Jr.	2,320
Catherine A. Knupp	911
All executive officers as a group	8,804

(3) Percentages based on 497,020,151 shares outstanding on February 29, 2016.

(4) Based on a Schedule 13G/A that BlackRock Inc. filed with the SEC on January 27, 2016, which contained information as of December 31, 2015. Such Schedule 13G/A states that BlackRock Inc. has sole voting power with respect to 28,945,739 shares of Zoetis common stock and sole dispositive power with respect to 33,666,406 shares of Zoetis common stock; and, as the parent holding company of BlackRock (Channel Islands) Ltd., BlackRock (Luxembourg) S.A., BlackRock (Netherlands) B.V., ClackRock (Singapore) Limited, BlackRock Advisors (UK) Limited, BlackRock Advisors, LLC, BlackRock Asset Management Canada Limited, BlackRock Asset Management Ireland Limited, BlackRock Asset Management North Asia Limited, BlackRock Asset Management Schweiz AG, BlackRock Capital Management, BlackRock Financial Management, Inc., BlackRock Fund Advisors, BlackRock Fund Managers Ltd., BlackRock Institutional Trust Company, N.A., BlackRock International Limited, BlackRock Investment Management (Australia) Limited, BlackRock Investment Management (UK) Ltd., BlackRock Investment Management, LLC, BlackRock Japan Co. Ltd., and BlackRock Life Limited, BlackRock Inc. and such subsidiaries have shared voting and dispositive power with respect to 64,407 shares of Zoetis common stock.

(5) Based on a Form 13F that Pershing Square Capital Management, L.P. filed with the SEC on February 16, 2016, which contained information as of December 31, 2015, and a Schedule 13D/A that Pershing Square Capital Management, L.P. filed with the SEC on April 13, 2015, which contained information as of April 10, 2015. Such Schedule 13D/A states that Pershing Square Capital Management, L.P., PS Management GP, LLC, and William A. Ackman have shared voting and dispositive power with respect to 41,823,145 shares of Zoetis common stock.

(6) Based on a Schedule 13G/A that Vanguard Group Inc. filed with the SEC on February 11, 2016, which contained information as of December 31, 2015. Such Schedule 13G/A states that The Vanguard Group has sole voting power with respect to 865,028 shares of Zoetis common stock and sole dispositive power with respect to

26,544,590 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 48,500 shares of Zoetis common stock and shared dispositive power with respect to 923,813 shares of Zoetis common stock.

**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 2015 were timely filed.

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**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 our 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 options available, 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 will report such approval 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](http://www.zoetis.com) under About Us - Corporate Governance.

The related person transaction approval policy was not in effect when we entered into the transactions and agreements with Pfizer described below. Any transactions contemplated by such agreements have been deemed to be approved and are not subject to the terms of this policy.

**RELATED PERSON TRANSACTIONS**

Since the beginning of 2013, we have not entered into any related person transactions in which any of our directors or executive officers has a direct interest. However, our directors and former directors who are executive officers of Pfizer, including Frank A. D'Amelio, who currently serves on our Board, and Charles H. Hill, who served on our Board until June 24, 2013, may be deemed to have an indirect interest in our transactions with Pfizer, which are summarized below.

**TRANSACTIONS BETWEEN ZOETIS AND PFIZER**

Prior to 2013 we were a wholly-owned subsidiary of Pfizer. During 2013 Pfizer disposed of its entire ownership of our stock in two transactions, which are collectively referred to as the separation. On February 6, 2013, Pfizer effected an IPO of our Class A common stock, which represented approximately 19.8% of our common stock. As a result of the IPO and certain related transactions, Pfizer owned 100% of the outstanding shares of our Class B common stock and no shares of our Class A common stock, giving Pfizer approximately 80.2% of the economic interest and combined voting power of the outstanding shares of our common stock other than with respect to the election of directors and approximately 97.6% of the combined voting power of the outstanding shares of our common stock with

respect to the election of directors. In May 2013, Pfizer announced an exchange offer whereby Pfizer shareholders could exchange a portion of their Pfizer common stock for Zoetis common stock. The exchange offer was completed on June 24, 2013, resulting in our full separation from Pfizer and the disposal of Pfizer's entire ownership and voting interest in Zoetis.

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**TRANSACTIONS WITH RELATED PERSONS**

In connection with the separation, immediately prior to the completion of the IPO we and Pfizer entered into certain agreements that provide a framework for our ongoing relationship with Pfizer. Certain of the agreements summarized below are filed as exhibits to our Annual Report on Form 10-K for 2012, which was filed with the SEC on March 28, 2013. The following summaries of these agreements are qualified in their entirety by reference to the full text of such agreements.

**GLOBAL SEPARATION AGREEMENT**

We entered into a global separation agreement with Pfizer immediately prior to the completion of the IPO that governs the relationship between Pfizer and us following the IPO.

**Allocation of Assets and Liabilities**

Notwithstanding the transfer of assets and assumption of liabilities that occurred prior to the completion of our separation from Pfizer, the global separation agreement generally allocates assets and liabilities to Zoetis and Pfizer according to the business to which such assets or liabilities relate. In general, Pfizer conveyed, leased or licensed to us ownership of all assets that are used exclusively or held for use exclusively in Pfizer's animal health business and we have assumed all of Pfizer's historical and future liabilities to the extent relating to, arising out of, or resulting from, the operation of the animal health business (whether before, on, or after the consummation of the IPO), including:

warranty obligations created as part of the animal health business;

product liability claims with respect to any animal health product;

environmental liabilities relating to the animal health business and environmental liabilities at the real property that we acquired from Pfizer;

liabilities related to animal health businesses or operations that were discontinued or divested by Pfizer;

litigation liabilities; and

our debt obligations, including under the senior notes offering.

We and Pfizer agreed that our cash balance on the date of the completion of the IPO would be at least \$300 million.

**Indemnification**

Generally, each party will indemnify, defend and hold harmless the other party and its subsidiaries (and each of their affiliates) and their respective officers, employees and agents from and against any and all losses relating to, arising out of or resulting from: (i) liabilities assumed by the indemnifying party and (ii) any breach by the indemnifying party or its subsidiaries of the global separation agreement and the other agreements described in this section (unless such agreement provides for separate indemnification). The global separation agreement also specifies procedures with respect to claims subject to indemnification.

#### **Delayed Transfers and Further Assurances**

To the extent transfers of assets and assumptions of liabilities related to our business were not completed prior to the date of the agreement because of a necessary consent or governmental approval or because a condition precedent to any such transfer was not satisfied or any related relevant fact was not realized, the parties will cooperate to effect such transfers or assumptions for agreed-upon consideration as promptly as practicable.

Each of the parties agreed to cooperate with the other party and use commercially reasonable best efforts to take or to cause to be taken all actions, and to do, or to cause to be done, all things reasonably necessary, proper or advisable under applicable law, regulations and agreements to consummate and make effective the transactions contemplated by the global separation agreement and the other agreements described in this section.

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### **TRANSACTIONS WITH RELATED PERSONS**

#### **Mutual Releases**

Generally, each of Pfizer and Zoetis released the other party from any and all liabilities. The liabilities released include liabilities arising under any contract or agreement, existing or arising from any acts or events occurring or failing to occur or any conditions existing before the completion of the IPO.

#### **Term**

The global separation agreement will continue unless terminated by us and Pfizer, although certain rights and obligations may terminate upon the completion of the Exchange Offer.

### **TRANSITIONAL SERVICES AGREEMENTS**

We entered into a transitional services agreement with Pfizer immediately prior to the completion of the IPO that granted us the right to continue to use certain of Pfizer's services and resources related to our corporate functions, such as business technology, facilities, finance, human resources, public affairs and procurement. We refer to these services and resources, collectively, as the Pfizer services.

We pay Pfizer mutually agreed-upon fees for the Pfizer services, which are based on Pfizer's costs of providing the Pfizer services. During the two years following the completion of the IPO, the markup for these services was 0% and, for the remainder of the term of the agreement, Pfizer may introduce a markup of 7%. A markup of 7% applied for 2015 and will apply for the remainder of 2016 for the Pfizer services which continue to be provided under this agreement. We are able to request good faith negotiations of the applicable fees if we believe that the fees materially over-compensate Pfizer for any of the Pfizer services and Pfizer has reciprocal rights if it believes the fees materially under-compensate Pfizer. Third-party costs are passed through to us at Pfizer's or its affiliates' cost.

Under the agreement, we are able to use the Pfizer services for a fixed term established on a service-by-service basis. However, we generally have the right to terminate a service earlier if we give notice to Pfizer. Partial reduction in the provision of any service requires Pfizer's consent. In addition, either party is able to terminate the agreement due to a material breach by the other party, subject to limited cure periods.

In addition, we may, from time to time, agree to provide to Pfizer certain limited reverse transitional services with respect to the continued use of certain assets or resources that Pfizer conveyed to us prior to the completion of the IPO. To the extent such services are provided, Pfizer will pay us a mutually agreed-upon fee for these services, which fee will be based on our costs of providing the service to Pfizer.

### **TAX MATTERS AGREEMENT**

#### **Allocation of Taxes**

In connection with the IPO, we entered into a tax matters agreement with Pfizer that governs the parties' respective rights, responsibilities and obligations with respect to tax liabilities and benefits, tax attributes, the preparation and filing of tax returns, the control of audits and other tax proceedings and other matters regarding taxes. In general, under the agreement:



Pfizer is responsible for any U.S. federal, state, local or foreign income taxes and any U.S. state or local non-income taxes (and any related interest, penalties or audit adjustments and including those taxes attributable to our business) reportable on a consolidated, combined or unitary return that includes Pfizer or any of its subsidiaries (and us and/or any of our subsidiaries) for any periods or portions thereof ending on or prior to December 31, 2012. We are responsible for the portion of any such taxes for periods or portions thereof beginning on or after January 1, 2013, as would be applicable to us if we filed the relevant tax returns on a standalone basis.

We are responsible for any U.S. federal, state, local or foreign income taxes and any U.S. state or local non-income taxes (and any related interest, penalties or audit adjustments) that are reportable on returns that

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**TRANSACTIONS WITH RELATED PERSONS**

include only us and/or any of our subsidiaries, for all tax periods whether before or after the completion of our separation from Pfizer.

Pfizer is responsible for certain specified foreign taxes directly resulting from certain aspects of the separation. We are not generally entitled to receive payment from Pfizer in respect of any of our tax attributes or tax benefits or any reduction of taxes of Pfizer. Neither party's obligations under the agreement are limited in amount or subject to any cap. The agreement also assigns responsibilities for administrative matters, such as the filing of returns, payment of taxes due, retention of records and conduct of audits, examinations or similar proceedings. In addition, the agreement provides for cooperation and information sharing with respect to tax matters.

Pfizer is primarily responsible for preparing and filing any tax return with respect to the Pfizer affiliated group for U.S. federal income tax purposes and with respect to any consolidated, combined, unitary or similar group for U.S. state or local or foreign income tax purposes or U.S. state or local non-income tax purposes that includes Pfizer or any of its subsidiaries, including those that also include us and/or any of our subsidiaries. We are generally responsible for preparing and filing any tax returns that include only us and/or any of our subsidiaries.

The party responsible for preparing and filing a given tax return generally has exclusive authority to control tax contests related to any such tax return. We generally have exclusive authority to control tax contests with respect to tax returns that include only Zoetis and/or any of our subsidiaries.

**Preservation of the Tax-Free Status of Certain Aspects of the Separation**

We and Pfizer intend for certain transactions related to our separation from Pfizer to qualify for tax-free treatment under U.S. federal, state and local tax law and/or foreign tax law.

We have agreed to certain covenants that contain restrictions intended to preserve the tax-free status of these transactions. We may take certain actions prohibited by these covenants only if Pfizer receives a private letter ruling from the IRS or we obtain and provide to Pfizer an opinion from a U.S. tax counsel or accountant of recognized national standing, in either case acceptable to Pfizer in its sole and absolute discretion, to the effect that such action would not jeopardize the tax-free status of these transactions. We will be barred from taking any action, or failing to take any action, where such action or failure to act adversely affects or could reasonably be expected to adversely affect the tax-free status of these transactions, for all time periods. In addition, during the time period ending two years after the date of the exchange offer these covenants include specific restrictions on our:

issuance or sale of stock or other securities (including securities convertible into our stock but excluding certain compensatory arrangements);

sales of assets outside the ordinary course of business; and

entering into any other corporate transaction which would cause us to undergo a 40% or greater change in our stock ownership.

We generally agreed to indemnify Pfizer and its affiliates against any and all tax-related liabilities incurred by them relating to the separation, the exchange offer and/or certain related transactions to the extent caused by an acquisition of our stock or assets or by any other action undertaken by us. This indemnification provision applies even if Pfizer has permitted us to take an action that would otherwise have been prohibited under the tax-related covenants described above.

#### **RESEARCH AND DEVELOPMENT COLLABORATION AND LICENSE AGREEMENT**

We entered into an R&D collaboration and license agreement with Pfizer immediately prior to the completion of the IPO. Under the agreement, nominated employees could request permission (known as intent to access ) to conduct certain limited research activities. The most recent amendment allows nominated employees to openly discuss potential opportunities with Pfizer. If Zoetis requests intent to access for one of these opportunities and Pfizer grants it, then Zoetis can conduct permitted research activities to further assess the opportunity. To conduct further research and development on the class of compounds identified during intent to access, we must request permission (known as

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**Table of Contents****TRANSACTIONS WITH RELATED PERSONS**

approval in principle ) from a joint steering committee described below and any approval will be subject to any restrictions specified by the joint steering committee. Certain compounds that we began researching prior to the completion of the IPO were granted approval in principle as of the completion of the IPO.

Upon granting approval in principle, Pfizer will grant us an option to enter into a license agreement, which will be exercisable no later than five years after the approval in principle is granted. Prior to exercising the option, our license from Pfizer under the agreement will be non-exclusive, except with respect to patents and know-how that we develop, for which our license will be exclusive (except as to Pfizer and its affiliates). Accordingly, in the case of non-exclusive licenses, Pfizer could itself, or could enable a third party to, conduct research on compounds that are the same or similar to those that we are researching. If we exercise the option and enter into the license agreement for a particular compound, our license to research, develop and commercialize products with such compounds for the animal health field will be exclusive, subject to any restrictions imposed by Pfizer and the joint steering committee. Except for certain compounds we began researching prior to the completion of the IPO, pursuant to any such license agreement, we will pay Pfizer an upfront payment, a milestone payment upon obtaining regulatory approval in a major market country and royalties on net sales. Our obligation to pay royalties will expire on a product-by-product and country-by-country basis upon the later of: (i) the expiration of the related patents and data exclusivity or (ii) ten years after the first commercial sale of such product.

During the term of the agreement, we are required to reimburse Pfizer's and its affiliates' costs in connection with the agreement. Certain of such costs are paid in the form of an annual access fee and others are invoiced on a quarterly basis. The joint steering committee is comprised of an equal number of representatives from each party and acts by consensus. If consensus cannot be reached, the matter will be referred to each party's alliance manager to propose potential solutions. If the alliance managers fail to propose such a solution, the matter will be referred to senior executives of each party. If the senior executives do not resolve the matter, Pfizer will have the final decision-making authority.

Pfizer will own all intellectual property invented or generated under the agreement (subject to any third-party rights) and has sole discretion regarding filing, prosecuting and maintaining such intellectual property, subject to our rights, in certain instances, to request that Pfizer file or continue to maintain patents at our cost. Pfizer will have sole discretion regarding the enforcement of any intellectual property licensed to us under the agreement.

We have confidentiality and other obligations related to the security of intellectual property and other confidential information and materials. If Pfizer reasonably believes that we violated these provisions, Pfizer is able to deny our access to such intellectual property and other confidential information and materials.

The term of the agreement is seven years, subject to extension by mutual agreement. The agreement will terminate with respect to particular compounds if intent to access or approval in principle is denied or we fail to exercise our license option. Pfizer is also able to terminate our rights under the agreement or any related license agreement (as applicable) with respect to any compound for which approval in principle has been granted (including compounds for which we have exercised the option and entered into a license agreement) if Pfizer pays us an agreed-upon amount which is intended to reflect the fair market value of the compound under our license. This right will expire on a compound-by-compound basis when we submit a regulatory approval application for each compound in a major market country and will not apply to compounds for which approval in principle was granted prior to the completion of the IPO.

In the event of either party's uncured material breach, the other party has the right to terminate the agreement. If the material breach concerns any security measures or confidentiality or use restrictions and such breach is the result of bad faith, gross negligence or willful misconduct, such breach will be deemed to not be curable and, in addition to the agreement terminating, Pfizer will be able to terminate any license agreements that we have entered into after exercising our option (except to the extent any license agreement relates to a commercial product).

The agreement will terminate automatically if we enter into an agreement resulting in our change of control, we assign or another party assumes this agreement without Pfizer's consent or we are otherwise acquired by a third party, or if either party becomes insolvent or certain other events related to our bankruptcy or indebtedness occur. If we acquire a certain interest in, or assets of, a human health company, Pfizer will be able to terminate the agreement, and if Pfizer

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**TRANSACTIONS WITH RELATED PERSONS**

acquires or is acquired by an animal health business of a certain size, either party will be able to terminate the agreement. Following expiration and termination for specific reasons, we will be granted a non-exclusive license to any intellectual property that we developed under the agreement to conduct research in the animal health field, subject to certain exclusions (which exclusions will include the compounds that we researched and developed under the agreement and other compounds designated by Pfizer on a case-by-case basis). Except as set forth above, license agreements entered into pursuant to the R&D Collaboration and License Agreement will not terminate if the R&D Collaboration and License Agreement terminates.

**EMPLOYEE MATTERS AGREEMENT**

We entered into an employee matters agreement with Pfizer immediately prior to the completion of the IPO. The employee matters agreement governs Pfizer's, our and the parties' respective subsidiaries and affiliates' rights, responsibilities and obligations post-IPO with respect to the following matters in connection with the animal health business:

employees and former employees (and their respective dependents and beneficiaries) who are or were associated with Pfizer, Zoetis or the parties' respective subsidiaries or affiliates;

the allocation of assets and liabilities generally relating to employees, employment or service-related matters and employee benefit plans; and

other human resources, employment and employee benefits matters.

**Employment**

We offered employment to employees who were providing services to our business and who did not otherwise transfer to our entities by operation of law. To the extent that severance obligations were triggered by such transfers, Pfizer administered the severance pay obligations in accordance with the terms and conditions of the applicable Pfizer severance pay plan or policy. Our employees who were providing services to our business and were on long-term disability on the applicable employee transfer date will remain employees of Pfizer to the extent permissible under applicable law, collective bargaining agreements, trade union agreements or work council agreements.

**Benefit Plans Generally**

Prior to the completion of the IPO, except to the extent provided in respect of certain jurisdictions, we became a participating employer in the Pfizer benefit plans (including certain legacy benefit plans). Generally, we ceased to be a participating employer in the Pfizer plans and adopted our own benefit plans on a date or dates following the completion of the IPO, which was determined by the parties, which we refer to as the Plan Transition Date, and which varied by benefit plan and by country. An appropriate allocation of our costs incurred under Pfizer benefit plans prior to the Plan Transition Date was charged back to us.

### **Credited Service**

In general, our employee benefit plans recognize service at Pfizer for those colleagues who were employed by Zoetis as of June 24, 2013, except as otherwise specified in the employee matters agreement.

### **Defined Benefit and Retiree Medical Plans**

Our employees ceased to participate in the Pfizer U.S. qualified defined benefit pension plans and the U.S. retiree medical plan effective December 31, 2012, and liabilities allocable to our employees under such plans were retained by Pfizer. Our employees under the U.S. qualified defined benefit pension plans became 100% vested in their accrued benefits as of December 31, 2012. Pfizer will continue crediting certain employees' service with us generally through December 31, 2017 (or termination of employment from us, if earlier) for certain early retirement benefits with respect to the defined benefit pension plans, and for plan eligibility with respect to the retiree medical plan. Outside of the United States, Pfizer transferred to us its defined benefit plan pension assets and liabilities associated with the

**ZOETIS 2016 PROXY STATEMENT 71**

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**TRANSACTIONS WITH RELATED PERSONS**

employees transferring to us in the certain countries as described in the applicable local separation agreements or the addendum to the Employee Matters Agreement. In certain countries, liabilities with respect to past service with Pfizer were retained by Pfizer.

**Non-Qualified Defined Benefit Pension Plans**

We ceased to be a participating employer in the Pfizer U.S. non-qualified defined benefit pension plans on December 31, 2012, and Pfizer will continue crediting certain employees' service with us through December 31, 2017 (or termination of employment from Zoetis if earlier), for certain early retirement benefits. Our employees under the U.S. non-qualified defined benefit pension plan became 100% vested in their accrued benefits as of December 31, 2012. Pfizer has retained the liabilities allocable to our employees under the U.S. non-qualified pension plans.

**Defined Contribution Plans**

The employee matters agreement provided for the transfer of assets and liabilities with respect to Zoetis employees from the U.S. Pfizer qualified defined contribution plans to a U.S. qualified defined contribution plan established by us as soon as practicable following the date that we establish such qualified defined contribution plan, except to the extent that a Zoetis employee terminates employment prior to the Plan Transition Date. Zoetis employees under the Pfizer qualified defined contribution benefit plans were 100% vested in their account balances as of the Plan Transition Date. Outside of the United States, Pfizer transferred to our defined contribution plans assets and liabilities allocable to the employees transferring to Zoetis in the certain countries as described in any applicable local separation agreement or the addendum to the Employee Matters Agreement.

**Non-Qualified Defined Contribution Plans**

With respect to the supplemental savings plan in the United States, Pfizer transferred liabilities allocable to the employees who transferred to Zoetis as described in the employee matters agreement. Such transfer took place following the date that we established a non-qualified supplemental savings plan. Liabilities allocable to Zoetis employees under other Pfizer nonqualified plans have been retained by Pfizer.

**Health and Welfare Plans**

Generally, we have established or continued (or assumed the obligation of contributing to) health and welfare plans or arrangements in every country where we have employees. Health and welfare liabilities allocable to our U.S. employees, to the extent such liabilities are incurred prior to the date that we established our own health and welfare plans in the United States, were retained by Pfizer and the allocated cost for these plans were charged to us.

**MASTER MANUFACTURING AND SUPPLY AGREEMENTS**

We have entered into two master manufacturing and supply agreements with Pfizer. Under the first of these agreements, Pfizer manufactures and supplies us with animal health products, which are referred to as the Pfizer-supplied products. Under the second agreement, we manufacture and supply Pfizer with human health products, which are referred to as the Zoetis-supplied products. Only Zoetis' Kalamazoo manufacturing site manufactures Zoetis-supplied products. Following the termination of the lease agreements related to our Guarulhos manufacturing



site and subject to the receipt of various regulatory approvals in Brazil, the Guarulhos site may also manufacture Zoetis-supplied products pursuant to this agreement.

Under the agreement related to the Pfizer-supplied products, our supply price is Pfizer's costs plus a percentage markup. Subject to limited exceptions, during the two years following the completion of the IPO, the markup was 0% and, for the remainder of the term of the agreement, the markup will be 15%. The cost of each Pfizer-supplied product is subject to annual review, and there is a year-end true-up mechanism with respect to differences between budgeted and actual amounts. The agreement related to the Zoetis-supplied products contains reciprocal payment provisions pursuant to which Pfizer will make payments related to the Zoetis-supplied products.

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**TRANSACTIONS WITH RELATED PERSONS**

These agreements will expire five years following the completion of the IPO, with limited exceptions. In addition, these agreements require Pfizer or us, as the case may be, to use commercially reasonable efforts to develop the capabilities and facilities to manufacture the applicable products on its own behalf or to establish alternative sources of supply reasonably prior to expiration of the applicable agreement. The party purchasing products under the agreement may terminate the agreement with respect to any manufacturing site upon at least six months' prior notice. Also, either party may terminate the agreement for customary reasons, including for a material breach by the other party (subject to a 90-day cure period) or with respect to the affected site for a force majeure event affecting the other party that continues for at least 30 days.

**ENVIRONMENTAL MATTERS AGREEMENT**

We entered into an environmental matters agreement with Pfizer immediately prior to the completion of the IPO. The agreement sets forth standards for each party's performance of remedial actions for liabilities allocated to each party under the global separation agreement, addresses our substitution for Pfizer with respect to animal health assets and remedial actions allocated to us (including substitution related to, for example, permits, financial assurances and consent orders), allows our conditional use of Pfizer's consultants and contractors to assist in the conduct of remedial actions, and addresses the exchange of related information between the parties.

The agreement also sets forth standards of conduct for remedial activities at the co-located facilities: Guarulhos, Brazil; Catania, Italy; Hsinchu, Taiwan; and Kalamazoo, Michigan in the United States. In addition, the agreement sets forth site-specific terms to govern conduct at several of these co-located facilities. The agreement lasts perpetually; however, the agreement will terminate automatically if the global separation agreement terminates.

**SCREENING SERVICES AGREEMENT**

We entered into an agreement with Pfizer immediately prior to the completion of the IPO, pursuant to which we provide certain high throughput screening services to Pfizer's R&D organization. Pfizer will pay us agreed-upon fees for these services.

**INTELLECTUAL PROPERTY LICENSE AGREEMENTS**

Immediately prior to the completion of the IPO, we entered into patent and know-how license agreements with Pfizer, pursuant to which: (i) Pfizer and certain of its affiliates have licensed to us and certain of our affiliates the right to use certain intellectual property rights in the animal health field; and (ii) we have licensed to Pfizer and certain of its affiliates certain rights to intellectual property in all fields outside of the animal health field.

**Patent and Know-How License Agreement (Pfizer as Licensor)**

Immediately prior to the completion of the IPO, we entered into a patent and know-how license agreement with Pfizer. Pursuant to the agreement, Pfizer granted us a royalty-free, fully paid-up, sublicensable (subject to certain restrictions), exclusive, worldwide license to certain patents and know-how to research, develop and commercialize certain commercial, development-stage, and early stage products in the field of animal health. We do not have rights to use most of these patents and know-how with any compounds other than those for which we are expressly licensed.

Pfizer also granted us a royalty-free, fully paid-up, sublicensable (subject to certain restrictions) non-exclusive, worldwide license to certain other Pfizer patents and know-how to research, develop and commercialize certain other products in the animal health field. Under the agreement, we also have been granted a royalty-free, fully paid-up, sublicensable (subject to certain restrictions) non-exclusive, worldwide license for the animal health field to certain know-how that is not compound-related or product-related.

Pfizer also granted us a sublicense to certain third-party intellectual property for such uses as agreed upon by the parties, the terms of which are royalty-free and fully paid-up as between us and Pfizer, but otherwise vary based on

**ZOETIS 2016 PROXY STATEMENT 73**

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**Table of Contents****TRANSACTIONS WITH RELATED PERSONS**

each third-party agreement. With respect to certain of such third-party intellectual property, Pfizer will have a right of first negotiation with us for an exclusive license to improvements to such third-party intellectual property and related patents that we own.

Pfizer controls filing, prosecuting and maintaining patents licensed to us, except that at our cost we have the right to file patent applications covering certain know-how licensed to us and certain know-how invented by us. We will grant Pfizer a royalty-free, fully paid-up, sublicensable, exclusive license for the human health field to any such patent applications and patents that issue from these patent applications that we own. We are required to pay certain costs associated with filing and maintaining the patents exclusively licensed to us, or our license will convert to a non-exclusive license.

Pfizer will have the right to forgo, and cease paying for, prosecution and maintenance of the licensed patents and it may delegate responsibility to prosecute and maintain exclusively licensed patents to us or assign such patents to us. If Pfizer assigns such patents to us, we will grant Pfizer a royalty-free exclusive license to the assigned patents in all fields of use, but this license will exclude (and we will retain) all rights that Pfizer exclusively licensed to us under the agreement before assigning the patents to us.

Pfizer will have the right to enforce against third-party infringements all patents licensed to us and patents that it may later assign to us if the infringement is within the scope of Pfizer's license to such assigned patents, unless Pfizer does not pay for certain prosecution and maintenance costs and the patents are exclusively licensed or assigned to us, in which case, we will have rights to enforce such patents against third-party infringements within the scope of our exclusive rights. We also will have the right to enforce new patents that we file and own.

The agreement expires, with respect to licensed patents, upon expiration of the last to expire patent right that Pfizer owns, with respect to third-party intellectual property, upon expiration or termination of the agreement pursuant to which such third-party intellectual property is licensed to Pfizer and with respect to know-how that Pfizer owns, upon the thirtieth anniversary of the agreement. Upon expiration of the agreement in its entirety, our licenses to know-how owned by Pfizer convert to fully paid-up, perpetual licenses. We have the right to terminate the agreement in whole or in part upon prior written notice to Pfizer. In the event of either party's uncured material breach, the other party has the right to terminate the agreement. The agreement also provides that the insolvency of either party and the occurrence of certain other events related to each party's bankruptcy or indebtedness also results in automatic termination. In addition, in circumstances where Pfizer has an interest in the licensed intellectual property in connection with its human health development programs, our rights to use the licensed intellectual property are restricted and/or in limited instances, subject to Pfizer's right to terminate such license at will. Pfizer also has the right to terminate any third-party agreements under which it is sublicensing rights to us.

**Patent and Know-How License Agreement (Zoetis as Licensor)**

Immediately prior to the completion of the IPO, we entered into a patent and know-how license agreement with Pfizer. Pursuant to the agreement, we granted Pfizer a royalty-free, fully paid-up, sublicensable (subject to certain restrictions), exclusive license to all patents and know-how that we own or have been licensed from third parties as of the IPO (excluding any patents and know-how licensed from third parties to which our rights are limited to animal health) for Pfizer to research, develop, and commercialize any products throughout the world in all fields except the animal health field. Under the agreement, we also granted Pfizer a royalty-free, fully paid-up, perpetual, sublicensable

(subject to certain restrictions), non-exclusive license to certain patents filed within a certain period of time following the IPO that cover know-how that we own. Pfizer is permitted to use such patents in connection with its research, development, and commercialization of products outside the animal health field.

Upon notice from Pfizer, we are required to file patent applications covering know-how licensed to Pfizer or continue to prosecute and maintain patents that have already been filed. In each case, Pfizer reimburses us for related costs, which vary depending on whether patents are filed at the time of Pfizer's notice. We have the sole right to enforce patents that are licensed to Pfizer under this agreement in the animal health field. Pfizer has the right to enforce the licensed patents in all other fields (including the human health field) only if it reimburses us for certain costs related to prosecution and maintenance of such patents. If Pfizer decides that it will not reimburse us for such costs, we will have the right to enforce in such fields.

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**Table of Contents****TRANSACTIONS WITH RELATED PERSONS**

The agreement expires, with respect to licensed patents that we own, upon the expiration of the last to expire patent right, with respect to third-party intellectual property, upon the expiration or termination of the agreement pursuant to which such third-party intellectual property is licensed to us and with respect to know-how that we own, upon the thirtieth anniversary of the agreement. Upon expiration of the agreement in its entirety, Pfizer's licenses to any know-how owned by us will convert to fully paid-up, perpetual licenses. Pfizer has the right to terminate the agreement in whole or in part upon prior notice to us. In the event of either party's uncured material breach, the other party has the right to terminate the agreement. The agreement also provides that the insolvency of either party and the occurrence of certain other events related to bankruptcy or indebtedness also results in automatic termination. Upon termination of the agreement, all licenses terminate.

**Trademark and Copyright License Agreements**

Immediately prior to the completion of the IPO, we entered into a trademark and copyright license agreement with Pfizer, pursuant to which Pfizer granted us rights with respect to certain trademarks and copyrighted works. Specifically, Pfizer granted us an exclusive, worldwide, royalty-free, perpetual and fully paid-up license to use certain scheduled trademarks in the same manner that we used such trademarks as a business unit of Pfizer and in connection with any modifications or line extensions of products with which such trademarks were used as a business unit of Pfizer. We have the right to sublicense such trademarks to third parties with Pfizer's prior written consent, which Pfizer cannot unreasonably withhold, but such consent is not required for sublicenses granted to our customers and distributors in the ordinary course of business. We do not have the right to register domain names that incorporate the trademarks or use the trademarks in the address of any social media or use the trademarks in any trade name, corporate name or doing business as name.

Pfizer also granted us a non-exclusive, worldwide, royalty-free, perpetual and fully paid-up license to use, copy and distribute to ourselves and our affiliates copyrights in certain policies and guidelines, and any related derivative works, that are necessary for us to continue to conduct certain aspects of our business in the same manner as they were conducted when we were a business unit of Pfizer.

The agreement will terminate on a trademark-by-trademark or copyrighted work-by-copyrighted work basis upon our written notice to Pfizer that we have ceased bona fide commercial use of such trademark or copyrighted work and it will terminate as to one of our affiliates if such affiliate ceases being an affiliate of ours. We granted a similar license to Pfizer to use the Aureomycin trademark and variants thereof in connection with Pfizer's human health business.

**BRAZIL LEASE AGREEMENTS**

In September 2012, Pfizer's subsidiary, Laboratórios Pfizer Ltda. ( Laboratórios ), as lessee, and our subsidiary, PAH Brasil Participações Ltda. ( PAH Brasil ), as lessor, entered into: (i) the Private Instrument of Non Residential Lease Agreement and Others, which establishes and regulates the use of the real property at our Guarulhos, Brazil facility (the Real Property Lease ) and (ii) the Private Instrument of Lease Agreement Movable Assets and Others, which establishes the terms of the use of the fixed assets at the same site (the Fixed Asset Lease and, together with the Real Property Lease, the Brazil Leases ). As a result of a merger of PAH Brasil into Fort Dodge Saúde Animal Ltda. ( Fort Dodge Brazil ) with Fort Dodge Brazil surviving, the Brazil Leases were assigned to Fort Dodge Brazil, later renamed Zoetis Indústria de Produtos Veterinários Ltda. ( Zoetis Brazil ).

**Rent, Rent Adjustment and Penalty**

The monthly rent under the Brazil Leases corresponds to the amount of depreciation of the fixed assets and real property covered by the leases. During the first month that the leases were in effect, the rent under the Fixed Asset Lease was R\$752,459 (approximately \$0.4 million) and the rent under the Real Property Lease was R\$479,977 (approximately \$0.2 million). In subsequent periods, the parties will adjust these amounts to reflect the anticipated monthly depreciation amount, and previously paid amounts may be adjusted if the amounts paid differ from actual depreciation. Late payments under Brazil Leases are subject to an adjustment plus a penalty equal to 2% and interest on arrears of 1% per month. A breach of either of the Brazil Leases that is not cured within 30 days from receipt of

**ZOETIS 2016 PROXY STATEMENT 75**

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### **TRANSACTIONS WITH RELATED PERSONS**

notice thereof is subject to a penalty equal to three monthly rent payments under the applicable lease. In addition to the rent, Laboratórios will pay expenses related to water consumption, sewerage and electricity as well as all taxes levied on the property.

#### **Covenants and Obligations**

Laboratórios is required to maintain the fixed assets and real property in the same condition as they were received, except for normal wear and tear and any improvements thereon, and is responsible for the repair of any damage. Improvements on the existing fixed assets and investments in new fixed assets are permitted under the Fixed Asset Lease, provided Fort Dodge Brazil is given notice thereof and consents to Laboratórios' proposal. Costs for such improvements are paid or reimbursed by Fort Dodge Brazil unless the fixed asset is used solely to manufacture human health products, in which case the cost shall be the responsibility of Laboratórios and, in the event a new asset is purchased, exclusive ownership shall be retained by Laboratórios. The Real Property Lease also permits improvements on the property to be implemented by Laboratórios at its sole and entire discretion. Laboratórios is entitled to reimbursement for any related costs as long as Fort Dodge Brazil consented to the implementation of the improvements.

#### **Term and Termination**

The Brazil Leases will last for a period of five years commencing on September 28, 2012. The Real Property Lease provides for automatic renewals for successive periods of one year at Laboratórios' discretion, unless notice of non-renewal is provided by Laboratórios. In the event that the Real Property Lease is extended, the Fixed Asset Lease shall be extended for the same period by executing an amendment to such lease.

The Brazil Leases terminate at any time if agreed upon by the parties. The Brazil Leases also terminate upon satisfaction of certain regulatory conditions that will permit the animal health manufacturing operations of Laboratórios to be transferred to Zoetis Brazil and the human pharmaceutical manufacturing operations Laboratórios to be transferred to another facility of Laboratórios or party contracted by the latter. The Fixed Asset Lease automatically terminates upon the termination of the Real Property Lease or, subject to certain conditions, the master manufacturing and supply agreement that provides for Zoetis-supplied products. The Real Property Lease automatically terminates upon the termination of the Fixed Asset Lease or the expropriation of the property and cannot be terminated by Zoetis Brazil prior to termination of the master manufacturing and supply agreement that provides for Zoetis-supplied products. In the event the property is partially or completely destroyed, Laboratórios has the option to terminate the Real Property Lease.

### **MUMBAI, INDIA INTERIM LEASE AGREEMENT**

We entered into an interim lease agreement with respect to our R&D facility in Mumbai, India. We will pay Pfizer a mutually agreed-upon rent for the facility and we anticipate the lease would expire upon the completion of the transfer of the Mumbai, India facility from Pfizer.

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**INFORMATION ABOUT SUBMITTING SHAREHOLDER PROPOSALS  
AND OUR 2017 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 nor more than 120 days before the first anniversary of the prior year's meeting. Under this provision, we must receive notice pertaining to the 2017 Annual Meeting no earlier than January 12, 2017, and no later than February 11, 2017.

However, if we hold the 2017 Annual Meeting on a date that is not within 25 days before or after the anniversary date of the 2016 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 he or she provides the notice and the record date for the meeting, and either the shareholder or his or her 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, we recently adopted 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 nor 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 2017 Annual Meeting no earlier than January 12, 2017, and no later than February 11, 2017.

## Edgar Filing: Zoetis Inc. - Form DEF 14A

Under SEC rule 14a-8, if a shareholder wants us to include a shareholder proposal in our proxy statement for the 2017 Annual Meeting, our Corporate Secretary must receive the proposal at our principal executive offices no later than December 2, 2016, which is 120 calendar days before the one-year anniversary of the release date of our proxy statement for the 2016 Annual Meeting. If we change the date of our 2017 meeting by more than 30 days from the one-year anniversary of the 2016 meeting, then the deadline is a reasonable time before we print and send our proxy materials for the 2017 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 2017 Annual Meeting to our Corporate Secretary at Zoetis Inc., 100 Campus Drive, Florham Park, NJ 07932. 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.

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**INFORMATION ABOUT SUBMITTING SHAREHOLDER PROPOSALS AND OUR 2017 ANNUAL MEETING**

To reduce costs and reduce the environmental impact of our Annual Meeting, 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 affected 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., 100 Campus Drive, Florham Park, NJ 07932, 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.

[www.zoetis.com](http://www.zoetis.com)

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**FOR ANIMALS. FOR HEALTH. FOR YOU.**

**ZOETIS DISCOVERS, DEVELOPS, MANUFACTURES AND COMMERCIALIZES A  
DIVERSE PORTFOLIO OF ANIMAL HEALTH MEDICINES AND VACCINES DESIGNED  
TO MEET THE REAL-WORLD NEEDS OF VETERINARIANS AND THE LIVESTOCK  
FARMERS AND COMPANION ANIMAL OWNERS THEY SUPPORT.**

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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.

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1. Election of Directors:

For	Against	Abstain	For	Against	Abstain	For	Against	Abstain
01 - "	"	"	02 - Paul M. Bisaro	"	"	"	03 - Fränk A. D Amelio	"
Juan								
Ramón								
Alaix								
04 - "	"	"						
Michael								
B.								
McCallister								

For	Against	Abstain	For	Against	Abstain
2. Say on Pay - An advisory vote on the approval of executive compensation.	"	"	"		
			3. Proposal to ratify KPMG LLP as our independent public accounting firm for 2016.	"	"

**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.

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

**Proxy Zoetis Inc.**

**Notice of 2016 Annual Meeting of Shareholders**

**Proxy Solicited by Board of Directors for Annual Meeting May 12, 2016**

Michael B. McCallister, 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 12, 2016, 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.)



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**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 12, 2016.**

**Vote by Internet**

Go to [www.envisionreports.com/ZTS](http://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	For	Against	Abstain	For	Against	Abstain
01 -	..	..	02 - Paul M. Bisaro	..	..	03 - Frank A. D' Amelio	..	..
Juan								
Ramón								
Alaix								
04 -	..	..						
Michael								
B.								
McCallister								

For	Against	Abstain	For	Against	Abstain
2. Say on Pay - An advisory vote on the approval of executive compensation.	..	..	3. Proposal to ratify KPMG LLP as our independent public accounting firm for 2016.	..	..

**B Non-Voting Items**

<p><b>Change of Address</b> Please print your new address below.</p>	<p><b>Comments</b> Please print your comments below.</p>	<p><b>Meeting Attendance</b> .. Mark the box to the right if you plan to attend the Annual Meeting.</p>
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**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 date below.      Signature 1 Please keep signature within the box.      Signature 2 Please keep signature within the box.

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**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 2016 Annual Meeting of Shareholders**

**Proxy Solicited by Board of Directors for Annual Meeting May 12, 2016**

Michael B. McCallister, 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 12, 2016, 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.)