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 x   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))**

x 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):

(4) Proposed maximum aggregate value of transaction:

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¨ Fee paid previously with preliminary materials.

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

(1) Amount previously paid:

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

(3) Filing Party:

(4) Date Filed:

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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

s Proxy Statement and Annual Report on Form 10-K for the year ended December 31, 2015, are available online at 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[1] and earnings per share (EPS) performance drove funding of our annual cash incentive plan above the target level.

- **Revenues.** For full year 2015, reported revenue was $4.8 billion, and we delivered 8% operational[2] 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® and other key brands.

- **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.

- **EPS.** Reported diluted EPS for 2015 was $0.68 per diluted share, and adjusted diluted EPS[1] 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.

[1] *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.*

[2] *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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ANNUAL MEETING

Time and Date	Thursday, May 12, 2016, at 10:00 a.m. EDT
Place	Hilton Short Hills 41 John F. Kennedy Parkway Short Hills, New Jersey 07078
Record Date	Close of business on March 18, 2016
Voting	Shareholders on the record date are entitled to one vote per share on each matter to be voted upon at the Annual Meeting.
Admission	We do not require tickets for admission to the meeting, but we do limit attendance to shareholders on the record date or their proxy holders. Please bring proof of your common share ownership, such as a current brokerage statement, and photo identification.

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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:

					Board Committees		
Name	**Age**	**Director Since**	**Occupation and Experience**	**Independent**	**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

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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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.

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. If you are a beneficial owner of our shares (as defined below), you may request a paper copy of your proxy materials at www.proxyvote.com, or by calling 1 (800) 579-1639, or by sending an email, with your control number in the subject line, to sendmaterial@proxyvote.com.

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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:

By telephone	By calling 1 (800) 652-8683 (toll free) in the United States or Canada	24 hours a day until 4:00 a.m., Eastern Daylight Time, on May 12, 2016
By Internet	Online at www.envisionreports.com/ZTS	24 hours a day until 4:00 a.m., Eastern Daylight Time, on May 12, 2016
By mail	By returning a properly completed, signed and dated proxy card	Allow sufficient time for us to receive your proxy card before the date of the meeting

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

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

REVOCATION OF PROXIES

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

- Submitting a written revocation to our Corporate Secretary at Zoetis Inc., 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.

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INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

ITEMS TO BE VOTED ON AND BOARD RECOMMENDATION

Item	Board Recommendation
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.

Item	Vote Required	Effect of Abstentions and Broker Non-Votes*
Election of Directors	Majority of the votes cast (i.e., more votes For than Against)	Not considered as votes cast and have no effect on the outcome
Advisory Vote to Approve Executive Compensation (Say on Pay)	Majority of the votes cast	Not considered as votes cast and have no

		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.**

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.

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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

Board Independence	9 out of 11 of our directors are independent under NYSE listing standards Our CEO is the only member of management who serves as a director 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
Independent Board Chair	Our Board Chair, who is elected by the Board annually, is currently an independent director
Board Committees	We have three Board committees: Audit, Compensation, and Corporate Governance All three of our Board committees are composed entirely of independent directors

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

Proxy Access	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
Director Stock Ownership	Each non-employee director is required to hold Zoetis stock worth at least USD $400,000 (including share equivalent units), to be acquired within five years of joining our Board
Open Lines of Communication	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
Self-Evaluation	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 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 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

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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 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.

			Committee	
Name	**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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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 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 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 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.

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

Executive	Title
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[1] and earnings per share (EPS) performance drove funding of our annual cash incentive plan above the target level.

- **Revenues.** For full year 2015, reported revenue was \$4.8 billion, and we delivered 8% operational[2] 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® and other key brands.

- **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.

- **EPS.** Reported diluted EPS for 2015 was \$0.68 per diluted share, and adjusted diluted EPS[1] 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

[1] 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.

[2] Operational revenue growth is defined as revenue growth excluding the impact of foreign exchange.

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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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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Basic Principles of Our Executive Compensation Program

We do:	We do not:
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.	Generally maintain employment agreements with our executives, including our NEOs.
Maintain a three-year cliff vesting schedule for equity-based long-term incentive awards.	Allow repricing of stock options without shareholder approval.
Require executives to comply with market-competitive stock ownership guidelines.	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).
Require executives to hold net shares upon the exercise of stock options or vesting of stock until they achieve the relevant stock ownership guideline.	Provide for single trigger equity award vesting or other single trigger payments or benefits upon a change in control.
Maintain a policy prohibiting traditional perquisites of employment (as determined by our Board of Directors) for our employees, including our NEOs.	
Maintain anti-hedging and anti-pledging policies prohibiting our directors and employees, including our NEOs, from hedging or collateralizing their ownership positions in our stock.	

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
Cash Compensation		
Base Salary	Fixed cash compensation that reflects fulfillment of day-to-day responsibilities, skills and experience. Addresses employee cash-flow needs and retention objectives.	Reviewed annually in light of changes in market practice, performance, individual responsibility and internal equity.
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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Element	Description and Purpose	Comments
Long-Term Incentives		
Stock Options	Equity awards that provide value based on growth in our stock price. Intended to focus NEOs on increasing the company s stock price. Reward NEOs for increases in the stock price over a period of up to ten years.	In 2015, stock options represented one-third of each NEO s long-term incentive opportunity based on the grant date fair value of the awards. Exercise price equals 100% of the stock price on the date of grant. Ten-year term. Three-year cliff vesting: vests 100% on the third anniversary of the date of grant, subject to the NEO s continued employment through such date (with certain early termination exceptions, such as retirement, death, change in control, etc., that are aligned with market practice).
Restricted Stock Units	Equity awards that give the recipient the right to receive shares of Zoetis stock on a specified future date, subject to vesting. Aligns NEO and shareholder interests, as NEOs will realize a higher value from RSUs from an increasing stock price.	In 2015, RSUs represented one-third of each NEO s long-term incentive opportunity based on the grant date fair value of the awards. 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).

		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. 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.	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. 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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Element	Description and Purpose	Comments
Retirement		
U.S. Savings Plan (Savings Plan)	A tax-qualified 401(k)/profit sharing plan that allows U.S. participants to defer a portion of their compensation, up to U.S. Internal Revenue Code (IRC) and other limitations, and receive a company matching contribution. A discretionary profit sharing contribution of up to 8% of an eligible employee s total cash pay, within IRC limitations and based on company performance.	We provide a matching contribution of 100% on the first 5% of an employee s total cash pay contributed to the Savings Plan, up to 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

Element	Description and Purpose	Comments
		situations such as death or disability, or to comply with IRC regulations, as described more fully in the Zoetis Equity Deferral Plan). In general, election decisions must be made by the end of the year before the RSUs are granted, and by the end of the second year of a three-year performance period for performance award units.
Severance		
Executive Severance Plan	Severance benefits provided to NEOs and certain other executives (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.	Facilitates recruitment and retention of NEOs and certain other executives by providing income security in the event of involuntary job loss. Provides the CEO with: ¡ 1.5 times base salary and target annual incentive upon an involuntary termination of employment without cause (unrelated to a change in control). ¡ 2.5 times base salary and target annual incentive upon an involuntary termination without cause or a good reason termination following a change in control. Provides other executives, including the NEOs other than the CEO with: ¡ 1 times base salary and target annual incentive upon an involuntary termination of employment without cause (unrelated to a change in control). ¡ 2 times base salary and target annual incentive upon an involuntary termination without cause or a good reason termination following a change in control.

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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;

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 57th percentile in revenue and the 62nd 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.

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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	Base Salary	Target Annual Incentive	Total Long-Term Incentive Value	Target Total Direct Compensation	Pay Mix: Base Salary	Pay Mix: Target Annual Incentive	Pay Mix: Long-Term Incentive
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%

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%

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[3] 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.

[3] 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.

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.

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 2015 performance. ZET members provided their views on Mr. Alaix 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 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 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.

				AIP Target		AIP Award	
Named Executive Officer	2015 Period	Base Pay	Pro-rata Base Pay	% of Base Pay	AIP Target Amount	% of Target	AIP Award 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%	$ 453,923

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

At or above the 75th percentile of the S&P 500 Group	200% of the target number of units

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

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).

Named Executive Officer	Total Long-Term Incentive Value	Stock Option Value	RSU Value	Performance Award Unit Value	# of Stock Options Granted	# of RSUs Granted	# of Performance Award Units 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:

	Severance (Base Salary)	**Continued Health and Life Insurance (at active employee cost)**	**Annual Incentive**
Non-Change in Control Severance			
CEO	18 months	12 months	1.5x target
Other Participants	12 months	12 months	1x target
Change in Control Severance			
CEO	30 months	18 months	2.5x target
Other Participants	24 months	18 months	2x target

The salary payments are made as salary continuation in the case of a non-change 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.

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, 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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EXECUTIVE COMPENSATION

REPORT OF THE COMPENSATION COMMITTEE

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

THE COMPENSATION COMMITTEE

Robert W. Scully, Chair

Paul M. Bisaro (Committee member beginning May 1, 2015)

Sanjay Khosla

Gregory Norden

Louise M. Parent

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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EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

Name	Year[(1)]	Salary ($)	Stock Awards[(2)] ($)	Option Awards[(3)] ($)	Non-Equity Incentive Plan Compensation[(4)] ($)	All Other Compensation[(5)] ($)	Total ($)
Juan Ramón Alaix	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
Paul S. Herendeen	2015	630,000	1,199,956	599,990	595,350	82,638	3,107,934
Executive Vice President and	2014[(6)]	207,614	437,468	437,495	167,130	18,686	1,268,393
Chief Financial Officer							
Kristin C. Peck	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
Clinton A. Lewis, Jr.	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
Catherine A. Knupp	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.

	Number of Pfizer Units Forfeited				**Grant Date**
				Number of	**Value of**
				Replacement	**Replacement**
Name	**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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EXECUTIVE COMPENSATION

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

Name	Company Contributions Under the Zoetis Savings Plan (i) ($)	Company Contributions Under the Zoetis Supplemental Savings Plan (ii) ($)	International Assignment (iii) ($)	Other (iv) ($)	All Other Compensation ($)
Juan Ramón Alaix	10,600	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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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.

			Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards(2)			All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exe or I Pri Op Awa
	Award	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	(#)	(#)	($/
x	Annual Incentive		0	1,282,250	2,564,500						
	Stock Options (5)	2/27/2015								159,954	46
	Restricted Stock Units (5)	2/27/2015							40,500		
	Performance Award Units (6)	2/27/2015				0	29,563	59,126			
n	Annual Incentive		0	441,000	882,000						
	Stock Options (5)	2/27/2015								51,413	46
	Restricted Stock Units (5)	2/27/2015							13,018		
	Performance Award Units (6)	2/27/2015				0	9,502	19,004			
	Annual Incentive		0	437,850	875,700						
	Stock Options (5)	2/27/2015								37,132	46

	Restricted Stock Units [5]	2/27/2015							9,401		
	Performance Award Units [6]	2/27/2015				0	6,863	13,726			
Jr.	Annual Incentive		0	385,404	770,808						
	Stock Options [5]	2/27/2015								28,563	46
	Restricted Stock Units [5]	2/27/2015							7,232		
	Performance Award Units [6]	2/27/2015				0	5,279	10,558			
pp	Annual Incentive		0	343,881	687,762						
	Stock Options [5]	2/27/2015								28,563	46
	Restricted Stock Units [5]	2/27/2015							7,232		
	Performance Award Units [6]	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 acheiving 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 acheivement 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 achieived, as determined by the Committee after the end of the performance period.

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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.

		Option Awards				Stock Awards			
ame	Grant Date	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested[1] (#)	Market Value of Shares or Units of Stock That Have Not Vested[2] ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested[1] (#)	Equity Incentive I Awards Market o Pay out Valu of Unearne Shares, Units or Othe Rights That Have No Vested[2 ($)
uan Ramón ix	1/31/2013		285,306[3]	26.00[4]	1/31/2023	78,631[3]	3,767,998		
	3/4/2014		312,109[3]	30.89	3/3/2024	82,030[3]	3,930,878		
	2/27/2015		159,954[3]	46.09	2/26/2025	40,717[3]	1,951,159	29,721[5]	1,424,23
	Total		757,369			201,378	9,650,035	29,721	1,424,23
aul S. rendeen	9/2/2014		50,636[3]	35.48	9/1/2024	12,442[3]	596,221		
	2/27/2015		51,413[3]	46.09	2/26/2025	13,088[3]	627,177	9,553[5]	457,78
	Total		102,049			25,530	1,223,398	9,553	457,78
ristin C. Peck	1/31/2013		79,885[3]	26.00[4]	1/31/2023	22,016[3]	1,055,007		
	8/15/2013					20,844[6]	998,844		
	3/4/2014		78,651[3]	30.89	3/3/2024	20,671[3]	990,554		
	2/27/2015		37,132[3]	46.09	2/26/2025	9,451[3]	452,892	6,900[5]	330,64
	Total		195,668			72,982	3,497,297	6,900	330,64
linton A. wis, Jr.	1/31/2013		42,796[3]	26.00[4]	1/31/2023	11,794[3]	565,168		
	8/15/2013					6,572[6]	314,930		

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

(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 acheivement 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 achieived, 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.

	Number of Securities Underlying Outstanding TSRUs Vested and Held by Each NEO as of December 31, 2015[a]			
Grant Date	**Juan Ramón Alaix**	**Kristin C. Peck**	**Clinton A. Lewis, Jr.**	**Catherine A. Knupp**
2/24/2011 [b]	42,348	26,534	9,071	9,071
2/24/2011 [c]	35,058	21,966	7,510	7,510
2/23/2012 [d]	53,635	22,916	7,010	6,740
2/23/2012 [e]	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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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 ($) [1]
Juan Ramón Alaix	11,364[2]	517,971
Paul S. Herendeen		
Kristin C. Peck	10,928[2]	498,098
Clinton A. Lewis, Jr.	13,207[3]	625,059
Catherine A. Knupp	13,078[4]	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 [a]	TSRU Awards [b] Number of Shares Acquired on	Value Realized on Exercise	Stock Awards Number of Shares Acquired on Vesting	Value Realized on Vesting

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

(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.

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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 (1)	Aggregate Balance at January 1, 2015 (2) ($)	Executive Contributions in 2015 (3) ($)	Company Contributions in 2015 (4) ($)	Aggregate Earnings in 2015 ($)	Aggregate Withdrawals/ Distributions in 2015 ($)	Aggregate Balance as of December 31, 2015 ($)
Juan Ramón Alaix	Zoetis Supplemental Savings Plan	3,023,542	1,079,640	235,820	82,910		4,421,912
Paul S. Herendeen	Zoetis Supplemental Savings Plan		74,813	51,544	66		126,423
Kristin C. Peck	Zoetis Supplemental Savings Plan	759,442	46,121	85,122	27,306		917,991
Clinton A. Lewis, Jr.	Zoetis Supplemental Savings Plan	139,209	38,761	64,602	9,055		251,627
Catherine A. Knupp	Zoetis Supplemental Savings Plan	836,291(5)	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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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.

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

	Value of Benefits Continuation	19,811(2)	19,811(2)	29,716(7)	
	Value of Outplacement Services	16,560(3)	16,560(3)	16,560(3)	
	Equity Acceleration		1,621,287(5)	2,405,160(8)	2,405,160(9)
	Total	1,107,371	2,728,658	4,593,436	2,405,160
Kristin C. Peck	Severance Amount	1,063,350(1)	1,063,350(1)	2,126,700(6)	
	Value of Benefits Continuation	20,127(2)	20,127(2)	30,190(7)	
	Value of Outplacement Services	16,560(3)	16,560(3)	16,560(3)	
	Equity Acceleration	3,567,275(4)	6,034,973(5)	6,986,394(8)	6,986,394(9)
	Total	4,667,312	7,135,010	9,159,844	6,986,394
Clinton A. Lewis, Jr.	Severance Amount	1,020,000(1)	1,020,000(1)	2,040,000(6)	
	Value of Benefits Continuation	19,911(2)	19,911(2)	29,866(7)	
	Value of Outplacement Services	16,560(3)	16,560(3)	16,560(3)	
	Equity Acceleration	1,736,690(4)	3,296,968(5)	3,860,087(8)	3,860,087(9)