Zoetis Inc.
Form DEF 14A
April 03, 2014

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

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	[ ]	Soliciting Material Under Rule 14a-12
[ ]	Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))		
[X]	Definitive Proxy Statement		
[ ]	Definitive Additional Materials		

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.

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

2) Aggregate number of securities to which transaction applies:

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

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1) Amount previously paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

NOTICE OF ANNUAL MEETING AND PROXY STATEMENT

2014 ANNUAL MEETING

100 Campus Drive
Florham Park, NJ 07932

NOTICE OF 2014 ANNUAL MEETING OF SHAREHOLDERS

MAY 13, 2014 AT 10:00 A.M.
HILTON SHORT HILLS
41 JOHN F. KENNEDY PARKWAY
SHORT HILLS, NEW JERSEY 07078

ITEMS OF BUSINESS

To consider and vote upon the following matters:

1. Election of the three director nominees named in the attached proxy statement to hold office as Class I Directors until the 2017 Annual Meeting of Shareholders and until their respective successors are duly elected and qualified;
2. An advisory vote to approve the company s executive compensation;
3. An advisory vote on the frequency of advisory votes on executive compensation;
4. Approval of the company s 2013 Equity and Incentive Plan;
5. Ratification of the selection of KPMG LLP as the company s independent registered public accounting firm for the fiscal year ending December 31, 2014; and
6. Transaction of such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

RECORD DATE

Close of business on March 19, 2014.

Only shareholders of record as of the record date are entitled to notice of, and to vote at, the Annual Meeting and any adjournment or postponement thereof.

PROXY VOTING

- By mail
- By telephone
- By Internet

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

Heidi C. Chen
Executive Vice President,
General Counsel and Corporate Secretary
April 3, 2014

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 13, 2014

Zoetis Inc. s Proxy Statement and Annual Report on Form 10-K for the year ended December 31, 2013 are available online at www.edocumentview.com/ZTS.

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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 2013 Annual Report before you vote.

2013 PERFORMANCE HIGHLIGHTS

2013 was a year of tremendous change for our company. At the start of the year, we were a wholly-owned subsidiary of Pfizer Inc. (Pfizer). In February, we began the process of separating from Pfizer with an initial public offering (IPO) of approximately 19.8% of our total shares outstanding. In late June, Pfizer disposed of its remaining ownership interest in our stock, completing our transition to an independent public company with a market capitalization of over $15 billion.

Our leadership team has worked hard over the course of 2013 to build on the commercial performance, innovative R&D and reliable supply chain that have been critical to our success, while simultaneously developing the infrastructure required to function effectively as a stand-alone entity. Listed below are some highlights of our 2013 operating performance:

- **Revenues.** During 2013, total revenue grew 5% to $4.561 billion, representing an operational increase of 7%, excluding the impact of foreign exchange. We saw revenue growth across all four of our regional operating segments, in both companion animal and livestock products.
- **Adjusted Net Income.** Reported net income for 2013 was $504 million, a 16% increase over 2012. Our adjusted net income[1] for 2013 was $709 million, reflecting an increase of 32% over 2012.
- **Earnings per share (EPS).** Reported diluted EPS for 2013 was $1.01 per share, an increase of 16% over 2012. Adjusted diluted EPS[1], which excludes purchase accounting adjustments, acquisition-related costs and certain significant items such as costs associated with becoming a stand-alone public company, was $1.42 per share, an increase of 31% over 2012.
- **Dividends.** In March of 2013, our Board of Directors declared a quarterly common stock dividend of $0.065 per share, for a total dividend of $0.195 per share paid in 2013. In December of 2013, our Board of Directors increased the quarterly dividend to $0.072 per share.

EXECUTIVE COMPENSATION HIGHLIGHTS

Our financial results for 2013 led to above-target payouts under our Annual Incentive Plan (AIP). Our revenue of $4.628 billion exceeded our target of $4.550 billion and our adjusted net income of $745 million exceeded our target of $726 million. As a result of this strong performance, and recognizing the significant work done to effectively separate from Pfizer and stand up the company while achieving these results, payments under our AIP were 115% of target. The revenue and adjusted net income target levels and results reflected here and used to determine the funding level of our AIP pool exclude the impact of foreign exchange during 2013, and are, therefore, different from our reported revenue and adjusted net income results of $4.561 billion and $709 million, respectively.

[1] *Adjusted net income and adjusted diluted EPS are non-GAAP financial measures. Our 2013 Annual Report on Form 10-K, filed with the SEC on March 26, 2014, contains a reconciliation of these non-GAAP financial measures to reported results for 2013.*

PROXY SUMMARY

The threshold, target, and maximum performance levels for AIP pool funding, as well as the actual results for 2013, are shown in the table below.

2013 Annual Incentive Plan - Threshold, Target, and Maximum Performance Levels

In February, at the time of our IPO, we made long-term incentive grants to certain Zoetis employees, including our NEOs and other members of our executive team, consisting of 50% stock options and 50% restricted stock units. These awards are subject to three-year cliff vesting, remaining unvested until the third anniversary of the date of grant.

In August, after our separation from Pfizer was complete, we granted our named executive officers (NEOs) and other members of our executive team additional restricted stock units to replace unvested Pfizer long-term incentive awards that were forfeited upon the separation. These replacement grants will vest in installments through 2016, reflecting the vesting schedule of the forfeited Pfizer long-term incentive awards. All other Zoetis employees who forfeited Pfizer long-term incentive awards received a cash payment from Zoetis to recognize the forfeiture.

For 2013, 85% of our CEO s target total direct compensation is variable either performance-based or directly tied to the price of our common stock and 68% of his target total direct compensation consists of long-term equity awards. For our NEOs, an average of 70% of their target total direct compensation is variable.

During 2013 we established several important corporate governance policies, including:

- stock ownership guidelines for executives and directors;
- an anti-hedging policy;
- a double-trigger requirement for payment of severance and vesting of long-term incentives in the event of a change in control; and
- a claw-back policy which permits our Compensation Committee to recover amounts paid to employees, including our NEOs, under cash or equity-based incentive programs, where payments were based on the achievement of financial results that are subsequently restated.

Compensation decisions made during the period from January 2013 until our separation from Pfizer in June 2013 were made by a Compensation Committee consisting of one independent director and three directors who were executives of Pfizer. After the separation, the Compensation Committee was comprised entirely of independent directors.

ANNUAL MEETING

Time and Date	Tuesday, May 13, 2014 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 19, 2014
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 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.

MEETING AGENDA ITEMS

ITEM 1 ELECTION OF DIRECTORS

You are being asked to elect 3 directors to hold office until the 2017 Annual Meeting of Shareholders and until their respective successors are duly elected and qualified: Gregory Norden, Louise M. Parent and Robert W. Scully.

All directors attended each of the meetings of the Board and Board committees on which they served in 2013.

SUMMARY INFORMATION ABOUT OUR DIRECTOR NOMINEES AND CONTINUING DIRECTORS

Directors whose terms expire at the 2014 Annual Meeting and who are nominees for terms expiring at the 2017 Annual Meeting:

					Board Committees		
Name	**Age**	**Director Since**	**Occupation and Experience**	**Independent**	**Audit**	**Comp**	**Corp Gov**
Gregory Norden	56	2013	Managing Director, G9 Capital Group LLC	Yes			
Louise M. Parent	63	2013	Former EVP and General Counsel, American Express Company	Yes			
Robert W. Scully	64	2013	Former member of Office of Chairman, Morgan Stanley	Yes			

Directors whose terms expire at the 2015 Annual Meeting:

					Board Committees		
Name	**Age**	**Director Since**	**Occupation and Experience**	**Independent**	**Audit**	**Comp**	**Corp Gov**
Sanjay Khosla	62	2013	Former EVP, Mondel z International	Yes			
William C. Steere, Jr.	77	2013	Former Chairman Emeritus and CEO, Pfizer Inc.	Yes			
Willie M. Reed	59	2014	Dean of the College of Veterinary Medicine, Purdue University	Yes			

Directors whose terms expire at the 2016 Annual Meeting:

					Board Committees		
Name	**Age**	**Director Since**	**Occupation and Experience**	**Independent**	**Audit**	**Comp**	**Corp Gov**
Juan Ramón Alaix	62	2012	CEO, Zoetis Inc.	No			
Frank A. D Amelio	56	2012	EVP of Business Operations and CFO, Pfizer Inc.	No			
Michael B. McCallister (Board Chair)	61	2013	Former Chairman of the Board and CEO, Humana Inc.	Yes			

Chair Member

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

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

We are asking shareholders to approve, on an advisory basis, our executive officer compensation program as described in this proxy statement. We believe that our program is well designed, that it appropriately aligns executive pay with company performance, and that it incentivizes desirable executive performance.

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

ITEM 3 ADVISORY VOTE ON FREQUENCY OF ADVISORY VOTES ON EXECUTIVE COMPENSATION

We are asking shareholders to vote, on an advisory basis, on whether we should hold an advisory say on pay vote every one, two, or three years. We believe that an annual advisory vote is the best approach for our company because it would allow our shareholders to provide timely, direct input on our executive compensation policies and practices.

ITEM 3 RECOMMENDATION: OUR BOARD RECOMMENDS THAT YOU VOTE TO HOLD AN ADVISORY VOTE ON EXECUTIVE COMPENSATION EVERY YEAR.

ITEM 4 APPROVAL OF OUR 2013 EQUITY AND INCENTIVE PLAN

We are asking shareholders to approve our 2013 Equity and Incentive Plan. We adopted the Plan while we were wholly owned by Pfizer and are seeking approval of the Plan because such approval is one of the requirements which must be satisfied in order for awards under the Plan to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code and thus be tax deductible by us. The Plan authorizes 25 million shares and a variety of cash and equity awards. The key terms of the Plan are summarized on page 52.

ITEM 4 RECOMMENDATION: OUR BOARD RECOMMENDS THAT YOU VOTE FOR THE APPROVAL OF OUR 2013 EQUITY AND INCENTIVE PLAN.

ITEM 5 RATIFICATION OF APPOINTMENT OF KPMG LLP AS OUR AUDITORS FOR 2014

We are asking shareholders to ratify our Audit Committee s appointment of KPMG LLP (KPMG) as our independent registered public accounting firm for 2014. KPMG was our auditor in 2013.

The fees paid to KPMG are detailed on page 59.

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 5 RECOMMENDATION: OUR BOARD RECOMMENDS THAT YOU VOTE FOR THE RATIFICATION OF KPMG AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2014.

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. for the 2014 Annual Meeting of Shareholders and for any adjournment or postponement

of the meeting. We mailed our notice of Internet availability of the proxy materials on or about April 3, 2014 and filed our proxy materials on April 3, 2014.

ANNUAL MEETING INFORMATION

We are holding our 2014 Annual Meeting of Shareholders (the Annual Meeting) at 10:00 a.m. Eastern Time on Tuesday, May 13, 2014, 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 do limit attendance to shareholders of record on the record date (March 19, 2014) 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, or signs will be permitted in the meeting.

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 at the following website: https://event.webcasts.com/starthere.jsp?ei=1031935. (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 13, 2014.

Our proxy statement, 2013 Annual Report on Form 10-K, and 2013 Annual Review 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 3, 2014, 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 2013 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 by calling 1 (800) 579-1639 or by sending an email, with your 12-digit control number in the subject line, to sendmaterial@proxyvote.com.

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 19, 2014, 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 8:00 a.m., Eastern Daylight Time, on May 13, 2014
By Internet	Online at www.envisionreports.com/ZTS	24 hours a day until 8:00 a.m., Eastern Daylight Time, on May 13, 2014
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.

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 those voting instructions. Those 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.

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.

INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

ITEMS TO BE VOTED ON AND BOARD RECOMMENDATION

Item		Board Recommendation
Item 1	Election of 3 Directors	FOR
Item 2	Advisory Vote to Approve Executive Compensation (Say on Pay)	FOR
Item 3	Advisory Vote on Frequency of Advisory Votes on Executive Compensation	EVERY YEAR
Item 4	Approval of 2013 Equity and Incentive Plan	FOR
Item 5	Ratification of KPMG as Auditor for 2014	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, 500,729,429 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
Advisory Vote on Frequency of Advisory Votes on Executive Compensation (every 1 year, 2 years, or 3 years)	We will consider shareholders to have expressed a preference for the frequency that receives the highest number of favorable votes	Not considered as votes cast and have no effect on the outcome
Approval of 2013 Equity and Incentive Plan	Majority of the votes cast	Not considered as votes cast and have no effect on the outcome
Ratification of KPMG as Auditor for 2014	Majority of the votes cast	Not considered as votes cast and have no effect on the outcome

* 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 5 Ratification of KPMG as Auditor for 2014.

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 5 Ratification of KPMG as Auditor for 2014. 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 5.**

COST OF PROXY SOLICITATION

We will pay the cost of soliciting votes on behalf of the Board of Directors. 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 hired Morrow & Co. LLC to help us solicit proxies, and will pay them $10,000 plus reasonable expenses.

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 SEC following the Annual Meeting.

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 New York Stock Exchange (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 is not required to have a majority of independent directors and our Corporate Governance Committee is permitted to have a non-independent member until June 24, 2014, one year after our separation from Pfizer.

KEY CORPORATE GOVERNANCE FEATURES

Board Independence	• 7 out of 9 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, who is not independent under NYSE listing standards because of our prior relationship with Pfizer
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 • Our Audit and Compensation Committees are composed entirely of independent directors; 3 of the 4 members of our Corporate Governance Committee are independent
Executive Sessions	• Our directors hold regularly scheduled executive sessions, at which directors can discuss matters without management present
Board Oversight of Risk	• Risk management is overseen by our Audit Committee, which reports regularly to the Board • Our Compensation Committee reviews compensation practices so that they do not encourage imprudent risk-taking
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
Director Stock Ownership	• Each non-employee director is required to hold Zoetis stock worth at least $300,000 (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

From January 2013 until our separation from Pfizer in June 2013, our Board of Directors consisted of nine directors, three of whom were independent under NYSE listing standards and six of whom were officers of Zoetis or Pfizer and thus not independent under those standards. The independent directors during this period, who continue to serve on our Board, were Michael B. McCallister, Gregory Norden, and William C. Steere, Jr. The non-independent directors during this period were Juan Ramón Alaix (our CEO), Geno Germano, Douglas Giordano, Charles Hill, Amy Schulman and Frank A. D Amelio.

In connection with our separation from Pfizer, Messrs. Germano, Giordano, and Hill and Ms. Schulman resigned from our Board on June 24, 2013, and Sanjay Khosla and Robert W. Scully were elected to our Board effective June 27, 2013. Louise M. Parent was elected to our Board effective August 1, 2013, and Willie M. Reed was elected to our Board effective March 4, 2014. Messrs. Khosla and Scully and Ms. Parent and Dr. Reed are independent under NYSE listing standards. Messrs. Alaix and

D Amelio continue to serve on our Board, and are not independent under NYSE listing standards Mr. Alaix because he is our CEO, and Mr. D Amelio because he is an executive officer of Pfizer.

Under NYSE listing standards, Mr. D Amelio will not be independent until three years after our complete separation from Pfizer. Under NYSE listing standards, a director is not independent if he or she has or had certain specified relationships with us (defined to include certain relationships with Pfizer during the period it controlled us) or any other material relationship with us. To assist in applying this standard, the Board has adopted categorical independence standards, referred to as our Director Qualification Standards. These standards can be found on our website at www.zoetis.com under About Us Corporate Governance. On March 26, 2014 our Board determined that the following directors are independent under NYSE listing standards and our Director Qualification Standards: Ms. Parent, Dr. Reed and Messrs. Khosla, McCallister, Norden, Scully, and Steere.

BOARD LEADERSHIP STRUCTURE

Our Corporate Governance Principles 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 Board Chair and CEO roles, is optimal at this time because it allows Mr. Alaix to focus on operating and managing our company following our transition to being a public company,

while Mr. McCallister can focus on the leadership of the Board. The Board Chair presides at 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 Board Chair and CEO is in our best interests based on circumstances existing at the time.

BOARD MEETINGS AND COMMITTEES

Director Attendance

During 2013, our Board met six times. All of our current directors attended each of the meetings of the Board and Board committees on which they served during 2013.

Board Committee Membership

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

CORPORATE GOVERNANCE AT ZOETIS

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

		Committee		
Name	**Independent**	**Audit**	**Compensation**	**Governance**
Juan Ramón Alaix	no			
Frank A. D Amelio	no			
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 2013		12	6	5

Chair Member

Independence of Committee Members

All current members of our Audit Committee and Compensation 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. All current members of our Corporate Governance Committee are independent under NYSE listing standards and our Director Qualification Standards except Mr. D Amelio, who is not independent because he is an executive officer of Pfizer. Mr. D Amelio s membership on this committee complies with NYSE transition rules for companies that ceased to be controlled companies.

During the period from January 2013 until our separation from Pfizer on June 24, 2013, our Board committees had the following members:

- Audit: Gregory Norden (Chair), Michael B. McCallister, and William C. Steere, Jr., all of whom were independent.
- Compensation: Charles Hill (Chair), Frank A. D Amelio, Geno Germano, and Gregory Norden. Mr. Norden was independent and Messrs. Hill, D Amelio, and Germano were not independent because they were executive officers of Pfizer.
- Corporate Governance: Amy Schulman (Chair), Geno Germano, Douglas Giordano, Michael B. McCallister and William C. Steere, Jr. Messrs. McCallister and Steere were independent and Ms. Schulman and Messrs. Germano and Giordano, were not independent because they were executive officers of Pfizer.

During this period we were approximately 80%-owned by Pfizer and the above committee membership complied with NYSE requirements for controlled companies.

Compensation Committee Interlocks and Insider Participation

From January 2013 through June 24, 2013, the Compensation Committee members were Charles Hill (Chair), Frank A. D Amelio, Geno Germano, and Gregory Norden. None of these individuals was an officer or employee of Zoetis, but Messrs. Hill, D Amelio, and Germano were officers and employees of Pfizer. See Transactions with Related Persons Transactions between Zoetis and Pfizer on page 64, for information about transactions and relationships between us and Pfizer.

Beginning June 27, 2013, the Compensation Committee members were Robert W. Scully (Chair), Sanjay Khosla, and Gregory Norden. Louise M. Parent joined the Committee on August 1, 2013. Each of these individuals is independent under NYSE listing standards. None of them:

- is or was an employee of Zoetis;
- is or was a participant in a related person transaction with Zoetis since the beginning of 2013; or
- is an executive officer of another company at which one of our executive officers serves on the board of directors.

Primary Responsibilities of Board Committees

Audit Committee. 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 auditor. 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 is responsible for reviewing and discussing with management our policies with respect to risk assessment and risk management. Until the end of the NYSE transition period for controlled companies, which will occur in June 2014, the Audit Committee is also responsible for administering our policies and procedures regarding related persons transactions. 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 61.

Compensation Committee. 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 30.

Corporate Governance Committee. 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. After the end of the controlled company transition period, the committee will assume responsibility for administering 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, liquidity and competitive environment as well as the risks associated with them. 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. During the company s transition period as a former controlled company,

the Audit Committee also oversees risks associated with potential conflicts of interest. The Corporate Governance Committee will assume this function at the end of the controlled company transition period. The Corporate Governance Committee oversees the management of risks associated with the independence of the Board. The Compensation Committee oversees the management of risks relating to our compensation plans and arrangements. Each committee of the Board provides periodic reports to the full Board regarding their areas of responsibility and oversight. We do not believe there is any relationship between how the Board oversees management of the company s risks and the Board s leadership structure.

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 the 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.

DIRECTOR NOMINATIONS

The Corporate Governance Committee considers and recommends the annual slate of director nominees for approval by the full Board. In evaluating director candidates for this purpose, the Corporate Governance Committee considers the following factors: the candidate s integrity, independence, diversity of experience, leadership, ability to exercise 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 1 in order to be considered for the following annual meeting. The Corporate Governance Committee evaluates candidates recommended by shareholders under the same criteria as 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 75.

Since the initial public offering of our stock in 2013, four directors have been elected to our Board: Sanjay Khosla, Robert W. Scully, Louise M. Parent and Willie M. Reed. 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, and Dr. Reed was identified as a potential candidate by an executive officer of our company.

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, and corporate partners. While it is our policy that management speaks for the company, non-employee directors, including the Board Chair, may meet with shareholders, but in most circumstances such meetings will be held with management present.

Shareholders 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, as appropriate. Shareholders may also write to any of our outside directors, including the Board and committee Chairs, by directing the communication to Katherine H. Walden, Chief Governance Counsel and Assistant Secretary, Zoetis Inc., 100 Campus Drive, Florham Park, NJ 07932. Communications from shareholders are distributed to the Board, or to any individual directors as appropriate, depending on the

CORPORATE GOVERNANCE AT ZOETIS

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.

We believe that it is important for directors to directly hear concerns expressed by shareholders. It is our policy that all Board members are expected to attend the Annual Meeting. Our 2013 Annual Meeting of Shareholders took place while Pfizer was our sole shareholder.

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

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. Our non-employee directors compensation consists 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 $140,000 on the date of grant, based upon the closing price of shares of Zoetis common stock on that date. The equity retainer is fully vested at grant.

During 2013 we granted equity retainers in the form of deferred stock units, valued at $140,000 on the date of grant, as follows:

- To Messrs. Norden, McCallister and Steere, 5,384 deferred stock units valued at the IPO price of $26.00 per share;
- To Ms. Parent and Messrs. D Amelio, Khosla and Scully, 4,663 deferred stock units valued at $30.02 per share.

Each deferred stock unit earns dividend equivalents which are credited as additional deferred stock units. Each non-employee director has a right to receive the shares of Zoetis common stock underlying the deferred stock units only upon termination of service as a member of our Board.

We have adopted share ownership guidelines applicable to non-employee directors, requiring the directors to hold Zoetis shares with a value of three 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 (a) the date upon which the guidelines were established, or (b) if later, the date of his or her first election as a director, to achieve the share ownership requirement.

CORPORATE GOVERNANCE AT ZOETIS

The following table summarizes the total compensation earned in 2013 by each of our directors who served as non-employee directors during 2013.

Director	Non-employee Director Cash Retainer	Non-employee Director Board Chair Cash Retainer	Non-employee Director Committee Chair Cash Retainer	Non-Employee Director Equity Retainer	Total
Frank A. D Amelio [(1)]	$ 50,000			$140,000	$190,000
Sanjay Khosla [(2)]	$ 50,000			$140,000	$190,000
Michael B. McCallister [(3)]	$ 100,000	$75,000	$12,500	$140,000	$327,500
Gregory Norden [(4)]	$ 100,000		$25,000	$140,000	$265,000
Louise M. Parent [(5)]	$ 50,000			$140,000	$190,000
Robert W. Scully [(6)]	$ 50,000		$12,500	$140,000	$202,500
William C. Steere, Jr. [(7)]	$ 100,000			$140,000	$240,000

(1) Represents (a) a cash retainer of $50,000 for service to the Board as a non-employee director during the third and fourth quarters of 2013 and (b) an equity retainer of 4,663 deferred stock units granted on August 15, 2013.

(2) Represents (a) a cash retainer of $50,000 for service to the Board during the third and fourth quarters of 2013 and (b) an equity retainer of 4,663 deferred stock units granted on August 15, 2013.

(3) Represents (a) an annual cash retainer of $100,000 for service to the Board, (b) a cash retainer of $75,000 for service as Chair of the Board during the third and fourth quarters of 2013, (c) a cash retainer of $12,500 for service as Chair of the Corporate Governance Committee during the third and fourth quarter of 2013 and (d) an equity retainer of 5,384 deferred stock units granted on January 31, 2013.

(4) Represents (a) an annual cash retainer of $100,000 for service to the Board during 2013, (b) an annual cash retainer of $25,000 for service as Chair of the Audit Committee during 2013 and (c) an equity retainer of 5,384 deferred stock units granted on January 31, 2013.

(5) Represents (a) a cash retainer of $50,000 for service to the Board during the third and fourth quarters of 2013 and (b) an equity retainer granted upon election to the Board of 4,663 deferred stock units.

(6) Represents (a) a cash retainer of $50,000 for service to the Board during the third and fourth quarters of 2013, (b) a cash retainer of $12,500 for service as Chair of the Compensation Committee during the fourth quarter of 2013 and (c) an equity retainer of 4,663 deferred stock units granted on August 15, 2013.

(7) Represents (a) a cash retainer of $100,000 for service to the Board during 2013 and (b) an equity retainer granted of 5,384 deferred stock units granted on January 31, 2013.

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

EXECUTIVE SUMMARY - INTRODUCTION

This Compensation Discussion and Analysis (CD&A) describes our executive compensation philosophy and programs, and the decisions made by the Zoetis Compensation Committee during 2013.

Zoetis executive compensation program is intended to reward our leadership for delivering results and align the interests of our leadership with those of our shareholders on an annual and long-term basis.

Our executive officers whose compensation is discussed in this CD&A and whose compensation is shown in the compensation tables below are referred to as our named executive officers (NEOs). They are:

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

2013 PERFORMANCE

2013 was a year of tremendous change for our company. At the start of the year, we were a wholly-owned subsidiary of Pfizer. In February, we began the process of separating from Pfizer with an initial public offering (IPO) of approximately 19.8% of our total shares outstanding. In late June, Pfizer disposed of its remaining ownership interest in our stock, completing our transition to an independent public company with a market capitalization of more than $15 billion.

Our leadership team has worked hard over the course of 2013 to build on the commercial performance, innovative R&D and reliable supply chain that have been critical to our success, while simultaneously developing the infrastructure required to function effectively as a stand-alone entity. Listed below are some highlights of our 2013 operating performance:

- **Revenues.** During 2013, total revenue grew 5% to $4.561 billion, representing an operational increase of 7%, excluding the impact of foreign exchange. We saw revenue growth across all four of our regional operating segments, in both companion animal and livestock products.

- **Adjusted Net Income.** Reported net income for 2013 was $504 million, a 16% increase over 2012. Our adjusted net income[1] for 2013 was $709 million, reflecting an increase of 32% over 2012.

- **Earnings per share (EPS).** Reported diluted EPS for 2013 was $1.01 per share, an increase of 16% over 2012. Adjusted diluted EPS[1], which excludes purchase accounting adjustments, acquisition-related costs and certain significant items such as costs associated with becoming a stand-alone public company, was $1.42 per share, an increase of 31% over 2012.

- **Dividends.** In March of 2013, our Board of Directors declared a quarterly common stock dividend of $0.065 per share, for a total dividend of $0.195 per share paid in 2013. In December of 2013, our Board of Directors increased the quarterly dividend to $0.072 per share.

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Adjusted net income and adjusted diluted EPS are non-GAAP financial measures. Our 2013 Annual Report on Form 10-K, filed with the SEC on March 26, 2014, contains a reconciliation of these non-GAAP financial measures to reported results for 2013.

EXECUTIVE COMPENSATION

2013 COMPENSATION HIGHLIGHTS

- Our financial results for 2013 led to above-target payouts under our Annual Incentive Plan (AIP). Our revenue of $4.628 billion exceeded our target of $4.550 billion and our adjusted net income of $745 million exceeded our target of $726 million. As a result of this strong performance, and recognizing the significant work done to effectively separate from Pfizer and stand up the company while achieving these results, payments under our AIP were 115% of target. The revenue and adjusted net income target levels and results reflected here and used to determine the funding level of our AIP pool exclude the impact of foreign exchange during 2013, and are, therefore, different from our reported revenue and adjusted net income results of $4.561 billion and $709 million, respectively.

The threshold, target, and maximum performance levels for AIP pool funding, as well as the actual results for 2013, are shown in the table below.

2013 Annual Incentive Plan - Threshold, Target, and Maximum Performance Levels

- In February, at the time of our IPO, we made long-term incentive grants to certain Zoetis employees, including our NEOs and other members of our executive team, consisting of 50% stock options and 50% restricted stock units. These awards are subject to three-year cliff vesting, remaining unvested until the third anniversary of the date of grant.
- In August, after our separation from Pfizer was complete, we granted our NEOs and other members of our executive team additional restricted stock units to replace unvested Pfizer long-term incentive awards that were forfeited upon the separation. These replacement grants will vest in installments through 2016, reflecting the vesting schedule of the forfeited Pfizer long-term incentive awards. All other Zoetis employees who forfeited Pfizer long-term incentive awards received a cash payment from Zoetis to recognize the forfeiture.
- For 2013, 85% of our CEO s target total direct compensation is variable either performance-based or directly tied to the price of our common stock and 68% of his target total direct compensation consists of long-term equity awards. For our other NEOs, an average of 70% of their target total direct compensation is variable.
- During 2013 we established several important corporate governance policies, including:
  - stock ownership guidelines for executives and directors;
  - an anti-hedging policy;
  - a double-trigger requirement for payment of severance and vesting of long-term incentives in the event of a change in control; and
  - a claw-back policy which permits our Compensation Committee to recover amounts paid to employees, including our NEOs, under cash or equity-based incentive programs, where payments were based on the achievement of financial results that are subsequently restated.
- Compensation decisions made during the period from January 2013 until our separation from Pfizer in June 2013 were made by a Compensation Committee consisting of one independent director and three directors who were executives of Pfizer. After the separation, the Compensation Committee was comprised entirely of independent directors.

CEO COMPENSATION: AT A GLANCE

Components of CEO Total Direct Compensation

Total Direct Compensation (TDC) is comprised of base salary, annual incentive and long-term incentives.

Base Salary and Annual Incentive

Mr. Alaix annual base salary for the first half of 2013 was $750,000, and his target annual incentive opportunity for this period was 100% of his base salary. These amounts were set by Pfizer in 2012 and reflected Mr. Alaix role as the head of a business unit within Pfizer. On June 5, 2013, the Compensation Committee approved increases to these amounts effective July 1, 2013, to recognize that Mr. Alaix was operating as the CEO of a stand-alone public company. Additionally, with this increase, Mr. Alaix compensation was brought closer to the median CEO compensation of our compensation peer group. As a result, effective July 1, 2013, Mr. Alaix annual base salary was increased to $900,000 and his annualized target incentive opportunity was increased to 110% of base salary, providing for annualized target total cash compensation of $1,890,000. Because these increases were not applied retroactively and applied only to the second half of the year, Mr. Alaix full-year target total cash compensation for 2013 was $1,695,000, including an annual incentive plan target of $870,000. In March 2014, the Compensation Committee recommended, and the Board of Directors approved, an annual incentive payment for 2013 of $1,218,000 (140% of the full-year annual incentive target) for Mr. Alaix based on our 2013 financial results and his individual performance.

Long-Term Incentives

In February 2013, Mr. Alaix received a long-term incentive grant with a total grant date fair value of $4.0 million, consisting of 50% stock options and 50% restricted stock units (RSUs). These awards (285,306 stock options and 76,923 RSUs) are subject to three-year cliff vesting and vest 100% on the third anniversary of the date of grant.

In August 2013, following completion of our separation from Pfizer, Mr. Alaix received a grant of 15,471 RSUs with a grant date value of $464,439 to replace Pfizer long-term incentive awards that were forfeited as a result of Zoetis separation from Pfizer (replacement grants). These replacement grants will vest in installments replicating the vesting schedule of the forfeited Pfizer long-term incentive awards. Similar replacement grants were made to our other NEOs and other members of our executive team who forfeited Pfizer long-term incentive awards as a result of the separation, while all other employees received cash payments for their forfeited Pfizer long-term incentive awards.

Target Total Direct Compensation

The chart below shows the target total direct compensation (TTDC) for Mr. Alaix for the first six months of 2013, the second six months of 2013, which includes the July 1, 2013 increase to Mr. Alaix base salary and target annual incentive opportunity described above, and the full year 2013 TTDC, which reflects the pro-rata combination of Mr. Alaix pre-July 1, 2013 and post-July 1, 2013 TTDC. The chart does not include the replacement grants described above because we do not view these grants as part of Mr. Alaix TTDC, as they were intended to make him whole for prior-year grants related to his service with Pfizer that were forfeited as a result of the separation.

EXECUTIVE COMPENSATION

OUR COMPENSATION PROGRAM

Compensation Philosophy

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

- Foster a performance-driven culture by tying a large portion of our executives pay to our company s performance, as well as their own individual performance, against established performance goals for the year;
- Align the interests of management and our shareholders by rewarding total shareholder returns through equity-based long-term incentive awards;
- Deliver competitive compensation opportunities that effectively retain our experienced management team and enable us to attract new executives when needed; and
- Provide compensation in a transparent fashion that reflects sound governance principles.

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. • Maintain a three-year cliff vesting schedule for long-term incentive grants. • Require executives to comply with market-competitive stock ownership guidelines. • Require executives to hold net shares upon the exercise of stock options or vesting of stock until they achieve the relevant stock ownership guideline. • Maintain an anti-hedging policy prohibiting our directors and employees, including our NEOs, from hedging 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. • Require a double trigger for the acceleration of vesting of long-term incentives and payment of severance benefits following a change in control. • Provide severance benefits through an Executive Severance Plan. • Use an independent compensation consulting firm when establishing our executive compensation policies and programs.	• Maintain employment agreements for any of our executive officers. • Allow repricing of stock options without shareholder approval. • Make stock option grants below fair market value. • Provide tax gross ups to our executive officers (except for certain relocation expenses, consistent with our relocation policy for all U.S.-based employees).

Elements of 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 competitive compensation requirements.	• Reviewed annually in light of changes in market practice, performance, changes in responsibility and internal equity.
Annual Incentive Plan (AIP)	• Annual cash incentive that rewards achievement of our financial and strategic goals, as well as the individual performance of the executive. • For 2013, the AIP pool was funded based on our annual performance against revenue and adjusted net income goals. • Provides competitive annual cash compensation opportunity based on performance.	• Amount of payout is based on the extent of achievement of company and individual goals set and approved by the Compensation Committee in the first quarter. • The Compensation Committee may exercise discretion in considering qualitative performance.
Long-Term Incentives		

Stock Options	• Equity awards whose value is based on growth in our stock price. • Intended to focus executives on results which would contribute to increasing the price of the stock. • Generally rewards recipient for increases in the stock price over a 3-10 year period.	• Represent 50% of the executive 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: generally vests 100% on the third anniversary of grant.
Restricted Stock Units (RSUs)	• Equity awards that give the recipient the right to receive shares of Zoetis stock on a specified future date, subject to vesting. • Intended to focus executives on results which would contribute to maintaining or increasing the current stock price.	• Represents 50% of the executives long-term incentive opportunity based on the grant date fair value of the awards. • Three-year cliff vesting: generally vests 100% on the third anniversary of grant. • Paid out in shares of our stock upon vesting. • Dividend equivalents are accrued over the vesting period and paid when RSUs vest.

EXECUTIVE COMPENSATION

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 Internal Revenue Code limitations, and receive a company matching contribution. • We may also make a profit sharing contribution of up to 8% of an eligible employee s total cash pay, based on company performance.	• We provide a matching contribution in the form of company stock on the first 5% of an employee s total cash pay contributed to the Savings Plan. • For 2013, we made a profit sharing contribution of 4% of total cash pay to all eligible Savings Plan participants in the form of company stock.
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 Internal Revenue Code limitations. • Also allows NEOs and certain other executives to defer up to an additional 60% of the amount of their AIP payment.	• Matching and profit sharing contributions are notionally credited as company stock. • Deferrals of AIP payments under the Supplemental Savings Plan are not matched by the company.
Severance		
Executive Severance Plan	• Severance benefits provided to key executives upon involuntary termination of employment without cause, or upon an involuntary termination without cause or a good reason termination after a change in control.	• Facilitates recruitment and retention of executives by providing income security in the event of involuntary job loss.

THE COMPENSATION PROCESS

Compensation Consultants

In 2012, Compensation Advisory Partners, LLC (CAP) was engaged by Pfizer to assist in developing a compensation program for Zoetis as a stand-alone company. CAP assisted Pfizer in 2012 and early 2013 in the following work for Zoetis:

- Developing a compensation philosophy;
- Developing a peer group for use in benchmarking executive pay levels and practices;
- Benchmarking our executive compensation levels relative to market;
- Developing an annual incentive and long-term incentive plan design;
- Developing a director compensation program;
- Determining the appropriate treatment of unvested Pfizer long-term incentive awards upon our separation from Pfizer; and
- Developing recommendations for stock ownership guidelines for our executives.

CAP continues to serve as an adviser to our management on executive compensation and to assist the company in:

- Revising our annual incentive and long-term incentive design;
- Benchmarking executive compensation levels; and
- Drafting this Compensation Discussion & Analysis.

Following our IPO in February 2013, with the establishment of our own Compensation Committee, the Compensation Committee engaged Towers Watson to serve as its advisor. Since that time, Towers Watson has reviewed materials presented by management to our Compensation Committee (including this Compensation Discussion & Analysis), attended the May, June, August and December 2013 meetings of the Compensation Committee, and provided the Compensation Committee with advice and recommendations on compensation of the CEO and the other NEOs.

Peer Group and Compensation Benchmarking

In 2012, Pfizer worked with CAP to identify a peer group of publicly-traded companies to be used for purposes of benchmarking pay levels and pay practices for our senior executives. Because there are currently no other stand-alone, publicly-traded animal health companies of comparable size and complexity, CAP looked beyond our direct competitors in the animal health industry to a broader list of companies in the pharmaceutical, biopharmaceutical, agriculture and nutrition industries. Based on the sales and market capitalization of the peer companies, as well as the nature of their businesses, histories, industries and the availability of relevant comparative compensation data, we believe the following core group of peer companies is appropriate given the unique nature of our business:

Actavis plc	Forest Laboratories, Inc.
Agilent Technologies, Inc.	Life Technologies Corporation
Allergan, Inc.	Mead Johnson Nutrition Company
Biogen Idec Inc.	Monsanto Company
Covance Inc.	Mylan Inc.
Endo Health Solutions Inc.	

In addition to these eleven core peer companies, we identified six additional companies (Bio-Rad Laboratories, Inc., Celgene Corporation, Hospira, Inc., Mettler-Toledo International Inc., PerkinElmer, Inc. and Perrigo Company plc) as our supplemental peer companies. These six additional companies do not have readily available comparative compensation data, but have similar sales and market capitalization. We will utilize the proxy data for these supplemental peer companies for purposes of determining comparative compensation for certain of our executives.

We used the proxy data for the combined group of peer companies to assist in determining elements of 2013 compensation for our NEOs. In addition to the peer group data, we have considered survey data from similarly-sized companies in life sciences and general industry for benchmarking purposes to ensure robust data. In particular, in certain cases, we have used data from the Aon/Radford Global Life Sciences Survey and the Aon/Hewitt TCM database for this purpose.

Our Compensation Committee will review our peer group annually and will make any adjustments that are determined to be appropriate.

Target total direct compensation for our NEOs for 2013 was at or below the median of the compensation of similar positions across our peer companies.

Role of Management in Compensation Decisions

Our CEO, CFO and Chief Human Resources Officer (CHRO) participated in designing the annual incentive and long-term incentive compensation programs approved by the Pfizer Compensation Committee before our IPO which were in effect during 2013. The CEO, with the assistance of the CHRO, provides the Compensation Committee with preliminary recommendations for compensation of the NEOs other than himself. The Compensation Committee, with the advice of its own compensation consultant, approves the compensation for the NEOs other than the CEO, and recommends the compensation of the CEO to our full Board of Directors for approval.

2013 COMPENSATION PROGRAM AND DECISIONS

Compensation Structure

The compensation structure for our executives is designed to emphasize variable compensation over fixed compensation, and equity compensation over cash compensation. For all of our NEOs, long-term incentives, which are entirely equity based, make up the largest portion of their pay mix. For 2013, 85% of the target total direct compensation of our CEO is variable pay either performance-based or directly connected to the price of our stock. For our other NEOs, on average 70% of target total direct compensation is variable. The heavy performance orientation in our program helps to ensure a pay-for-performance approach to compensation, as well as an alignment between our management and our shareholders.

EXECUTIVE COMPENSATION

The table and chart below show the mix of target total direct compensation for our NEOs for 2013. They do not include retirement benefits or the August 2013 replacement grants made to make up for Pfizer long-term incentive awards that were forfeited upon our separation from Pfizer. The target total direct compensation for Mr. Alaix reflects the second six months of 2013, which includes the July 1, 2013 increase to Mr. Alaix base salary and target annual incentive opportunity described above in the section CEO Compensation: At A Glance.

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	$900,000	$990,000	$4,000,000	$5,890,000	15%	17%	68%
Richard A. Passov	$615,000	$385,000	$1,400,000	$2,400,000	26%	16%	58%
Kristin C. Peck	$605,000	$385,000	$1,120,000	$2,110,000	29%	18%	53%
Clinton A. Lewis, Jr.	$400,000	$180,000	$600,000	$1,180,000	34%	15%	51%
Catherine A. Knupp	$400,000	$240,000	$600,000	$1,240,000	32%	19%	48%

Base Salary Decisions

Mr. Alaix annual base salary for 2013 was set by Pfizer in 2012 at $750,000, and reflected his role as the head of the animal health business unit of Pfizer. On June 5, 2013, Mr. Alaix salary was increased to $900,000 effective July 1, 2013 to recognize that after our separation from Pfizer, he would be the CEO of a stand-alone public company. The increase also was intended to move him closer to the median CEO compensation of our peer group companies.

The base salaries of our other NEOs were approved by the Pfizer Compensation Committee in September 2012, and remained in effect during all of 2013.

Annual Incentive Plan

Our Annual Incentive Plan (AIP) is our annual cash incentive program our annual bonus plan that is intended to reward all AIP-eligible employees, including our NEOs, for the achievement of the company s financial and strategic goals, as well as the achievement of their own individual performance goals.

Our AIP utilizes a funded pool approach. An overall target AIP pool for the year was determined by adding together the target AIP payouts for each eligible employee, including the NEOs. The actual amount of the AIP bonus pool for 2013 was determined by the Compensation Committee based on the company s attainment of the revenue and adjusted net income goals (each weighted equally) approved by the Compensation 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;
- they are two measures that shareholders closely track in their analysis of our performance; and
- we were a company in transition during 2013, and wanted to use measures that are clearly understood, are measurable and can be impacted by the performance of our executives and our employees.

EXECUTIVE COMPENSATION

The threshold, target and maximum performance levels for AIP pool funding for 2013 were established by our Compensation Committee in early 2013. The target performance levels established by our Compensation Committee, which exclude the impact of foreign exchange, are shown in the table below.

2013 Annual Incentive Plan Threshold, Target, and Maximum Value

Performance Measure	Threshold	Target	Maximum
Revenue	$3.960 billion	$4.550 billion	$5.113 billion
Adjusted Net Income	$ 578 million	$ 726 million	$ 880 million

Our results for 2013 were revenue of $4.628 billion and adjusted net income of $745 million, excluding the impact of foreign exchange. The Compensation Committee approved an overall funding level of 115% of target across all employees eligible under the AIP. The Committee believes this funding level reflects Zoetis 2013 financial performance and also recognizes Zoetis achievement of its 2013 objectives as it was undergoing significant change related to the separation from Pfizer and becoming a stand-alone public company.

The target payout levels for our NEOs were set by the Pfizer Compensation Committee in September 2012. Payouts under the AIP program can range from 0%-200% of the target level based on actual performance.

In March 2014, the Compensation 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 2013. Zoetis NEOs 2013 annual incentive awards were based on:

- the financial performance of Zoetis (measured by revenue and adjusted net income, as described above);
- 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 selected 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 (described below under the heading Other NEO Compensation Decisions).

The annual incentive target for Mr. Alaix was initially set at $750,000 (100% of his January 1, 2013 salary) and was increased to $990,000 (110% of his July 1, 2013 salary) by our Compensation Committee effective July 1, 2013. The Compensation Committee felt that this increase was appropriate to move his target annual cash compensation closer to the market median. This increase was applied on a prospective basis in determining his payout under the Annual Incentive Plan.

The Board of Directors and the Compensation Committee also considered the results of an anonymous 360 degree feedback survey, conducted among the members of our executive team, in evaluating Mr. Alaix 2013 performance.

Other NEO Compensation Decisions

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 his recommendations with respect to their AIP payouts for 2013. In approving the compensation recommendations for the other NEOs, the Compensation 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 Compensation Committee at the start of 2013.

Richard A. Passov, Executive Vice President and Chief Financial Officer. As CFO, Mr. Passov was instrumental in the success of our IPO and our separation from Pfizer. Under his leadership, we established the financial infrastructure required for a stand-alone company, with particular progress in establishing financial shared services and the implementation of a new Enterprise Resource Planning system.

EXECUTIVE COMPENSATION

Kristin C. Peck, Executive Vice President and Group President. Ms. Peck leads our Global Manufacturing and Supply (GMS), Global Poultry, Diagnostics, Business Development and Strategy, and New Products Marketing functions. Under her leadership, the Global Poultry business exceeded both revenue and net income targets. In addition, under Ms. Peck s leadership GMS achieved a reduction in cost of goods sold, improved forecast accuracy, and implemented our new supply operating model with no supply disruptions. Ms. Peck led our strategic planning process and developed specific action plans that were endorsed by our Board of Directors, and led our Business Development group in completing a number of important business transactions that contributed to operational targets and strategic objectives.

Clinton A. Lewis, Jr., Executive Vice President and President, U.S. Operations. Under Mr. Lewis leadership, our U.S. business surpassed its 2013 revenue and net income targets. Mr. Lewis was instrumental in the passage of Animal Drug Use Fee Agreement legislation, which is anticipated to save the animal health industry approximately $40 million over five years. He also led the successful launch of our e-Commerce platform, with enrollment of over 3,700 customers, and continued the deployment of new service offerings for our customers. Mr. Lewis also leads our Global Genetics business. Under Mr. Lewis leadership, our Global Genetics business experienced significant growth in 2013.

Catherine A. Knupp, Executive Vice President and President, Research and Development. Dr. Knupp leads our global Research and Development function. In 2013, under her leadership, we received a number of high priority approvals, in some instances months ahead of schedule. She led initiatives relating to consolidation of research activities which resulted in cost savings for us and led to increased efficiencies in the utilization of capital.

The 2013 AIP payouts for our NEOs are shown in the table below.

Executive	2013 Annual Incentive Plan Target	2013 Annual Incentive Plan Award	2013 Annual Incentive Plan Award as a % of Target
Juan Ramón Alaix	$870,000	$1,218,000	140%
Richard A. Passov	$385,000	$ 443,000	115%
Kristin C. Peck	$385,000	$ 443,000	115%
Clinton A. Lewis, Jr.	$180,000	$ 300,000	167%
Catherine A. Knupp	$240,000	$ 280,000	117%

Long-Term Incentives

2013 Equity and Incentive Plan. Our 2013 Equity and Incentive Plan (the 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 Equity Plan became effective January 28, 2013.

At the time of our IPO in February 2013, we made the first grant of long-term incentives under the Equity Plan to our NEOs and other eligible employees. In September of 2012, the Pfizer Compensation Committee established a long-term incentive target for each of our NEOs for 2013 based on external benchmarks for similar positions in our peer companies, as well as in commercially available compensation surveys. Long-term incentive values were delivered to the NEOs, other members of our executive team and other eligible employees of Zoetis through a mix of 50% stock options and 50% restricted stock units (RSUs). The long-term incentive values delivered to our NEOs in 2013 are as follows:

Executive	Total Long-term Incentive Value	Stock Option Value	RSU Value	# of Stock Options Granted	# of RSUs Granted
Juan Ramón Alaix	$4,000,000	$2,000,000	$2,000,000	285,306	76,923
Richard A. Passov	$1,400,000	$ 700,000	$700,000	99,857	26,923
Kristin C. Peck	$1,120,000	$ 560,000	$560,000	79,885	21,538
Clinton A. Lewis, Jr.	$600,000	$ 300,000	$300,000	42,796	11,538
Catherine A. Knupp	$ 600,000	$ 300,000	$ 300,000	42,796	11,538

Stock Options. The stock options granted in February 2013 had an exercise price equal to the IPO offer price of $26.00 and have a ten-year term. Stock options are subject to a three-year cliff-vesting requirement and do not vest until the third anniversary of the grant date, with earlier vesting in the event of certain terminations of employment (e.g., retirement).

We view stock options as a form of long-term incentive that will focus and reward 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 are an effective retention tool, since executives must remain with the company for three years before they can exercise the stock options and the options have a ten-year term from the date of grant.

Restricted Stock Units (RSUs). The RSUs granted in February 2013 provide executives with the right to receive shares of our stock upon the conclusion of a three-year cliff-vesting requirement and do not vest until the third anniversary of the grant date, with earlier vesting in the event of certain terminations of employment (e.g., retirement). Dividend equivalents are earned over the vesting period and will be paid out in shares of our stock at the same time the 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.

RSUs complement stock options by encouraging executives to guard against downside risk to the stock price as well as focus on increasing the stock price.

Treatment of Pfizer Long-Term Incentives upon Our Separation from Pfizer

Upon our separation from Pfizer, certain unvested Pfizer long-term incentive awards were forfeited because the separation was treated as a termination of employment under Pfizer s long-term incentive plan. In order to ensure that our employees did not lose the value of long-term incentives earned during their service at Pfizer, our Compensation Committee approved the replacement of all Pfizer long-term incentive awards that were forfeited by our NEOs and other members of our executive team with grants of Zoetis RSUs under our Equity Plan on August 15, 2013, having an equivalent value for our NEOs and other members of our executive team, and with cash payments for our other employees who held Pfizer long-term incentive awards. The replacement grants will vest in installments replicating the vesting schedule of the forfeited Pfizer long-term incentive awards. We do not view these replacement grants as compensation for 2013, as they were intended to make our executive officers whole for prior year grants related to their service with Pfizer which were forfeited as a result of the separation. The table below shows the number of replacement grants to our NEOs and their value based on the August 15, 2013 closing price of our stock of $30.02.

	Zoetis Replacement RSUs	
Executive	**# of RSUs**	**RSU Value**
Juan Ramón Alaix	15,471	$ 464,439
Richard A. Passov	11,046	$ 331,601
Kristin C. Peck	34,696	$ 1,041,574
Clinton A. Lewis, Jr.	20,620	$ 619,012
Catherine A. Knupp	20,315	$ 609,856

The number of replacement RSUs, and, therefore, the total value of the replacement grants that were made to Messrs. Alaix and Passov is lower than those of the replacement grants made to other NEOs because Messrs. Alaix and Passov were deemed retirement-eligible under Pfizer s long-term incentive plan. Because they were deemed retirement eligible, fewer of the unvested Pfizer long-term incentive awards granted to Messrs. Alaix and Passov were cancelled upon our separation from Pfizer.

EXECUTIVE COMPENSATION

Retirement Benefits

Our NEOs receive retirement benefits through our Savings Plan and our Supplemental 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 plan, subject to Internal Revenue Code limitations. We match 100% of the employee contribution in company stock, 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 2013, we contributed 4% of each eligible employee s pay as a profit sharing contribution; this contribution was made in company stock.

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 ($255,000 for 2013). 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. We do not match these additional deferrals. If an employee s profit sharing contribution to the Savings Plan is limited by the compensation 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

In June 2013 our Compensation Committee adopted an Executive Severance Plan covering our NEOs and other members of our executive team, and certain other 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 after 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)	Bonus
Non-Change in Control			
CEO	18 months	12 months	1.5x target
Other Participants	12 months	12 months	1x target
Change in Control			
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. In addition to the benefits reflected in the table, we will 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 us.

CORPORATE GOVERNANCE POLICIES

Stock Ownership and Holding Requirements

We have adopted share ownership guidelines for our NEOs. 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, and shares held in benefit plans. Our guidelines by executive level are as follows:

- Mr. Alaix: 5 times base salary
- Mr. Passov and Ms. Peck: 3 times base salary
- Remaining NEOs: 2 times base salary

The executives must achieve the guideline before they 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 of shares. Our NEOs will have five years from the establishment of the guidelines to achieve the share ownership requirement.

Hedging Policy

We adopted 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.

2014 COMPENSATION DECISIONS

For 2014, the Compensation Committee has approved the following changes to our compensation program:

- Elimination of the financial planning executive perquisite that had previously been available to our NEOs;
- Adoption of a claw-back policy that will allow us to recover incentive payments paid to employees, including our NEOs (see below);
- Elimination of a provision under our Equity Plan that would accelerate the vesting of stock options and RSUs upon an involuntary termination of employment that was not the result of a reorganization or business transaction (e.g., sale of a business);
- Use of adjusted diluted EPS instead of adjusted net income as a metric for determining the AIP pool funding; and
- Addition of a cash flow metric to the revenue and adjusted diluted EPS metrics used in determining the AIP pool funding. This new measure will help focus management on effective management of working capital and cash.

In addition, we intend to consider adding a performance-based component to our long-term incentive program for our NEOs for 2015. Over the course of 2014, the Compensation Committee will consider the appropriate structure and financial measures for this new performance-based component of our long-term incentive program, and expects to make this determination after the company has experienced a full year of operations as a stand-alone company.

CLAW-BACK POLICY

As indicated above, for 2014 we have adopted a claw-back policy under which our Compensation Committee may, 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. The intent of the policy is to enable the company to recover any amount determined by the Compensation Committee to have been inappropriately received by the employee. The incentive awards that we grant in 2014 will contain such compensation recovery provisions.

EXECUTIVE COMPENSATION

TAX DEDUCTIBILITY OF NEO COMPENSATION

Section 162(m) of the Internal Revenue Code generally disallows a tax deduction to public companies for compensation greater than $1 million paid in any fiscal year to specified executive officers unless the compensation qualifies as performance-based under that section.

We generally intend to structure our equity-based and cash-based incentive awards to qualify as performance-based compensation. However, to maintain flexibility in providing compensation to our executives, we do not have a policy requiring compensation to be deductible.

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 (committee member beginning June 27, 2013)
Sanjay Khosla (committee member beginning June 27, 2013)
Gregory Norden
Louse M. Parent (committee member beginning August 1, 2013)

EXECUTIVE COMPENSATION TABLES

The following tables summarize our NEO compensation:

1. **Summary Compensation Table.** The Summary Compensation Table summarizes the compensation earned by or paid to our NEOs for the fiscal years ended December 31, 2013, 2012, and 2011, including salary earned, annual incentive plan payments, the aggregate grant date fair value of stock awards and option awards granted to our NEOs, and all other compensation paid to our NEOs.

2. **2013 Grants of Plan-Based Awards Table.** The 2013 Grants of Plan-Based Awards Table summarizes all grants of plan-based awards made to our NEOs for the fiscal year ended December 31, 2013.

3. **2013 Outstanding Equity Awards at Fiscal Year-End Table.** The 2013 Outstanding Equity Awards at Fiscal Year-End Table summarizes the unvested stock awards and all stock options held by our NEOs as of December 31, 2013.

4. **2013 Option Exercises and Stock Vested Table.** The 2013 Option Exercises and Stock Vested Table summarizes our NEOs option exercises and stock award vesting during the fiscal year ended December 31, 2013.

5. **2013 Non-Qualified Deferred Compensation Table.** The 2013 Non-Qualified Deferred Compensation Table summarizes the activity during 2013 and account balances under our Supplemental Savings Plan as of December 31, 2013.

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.

SUMMARY COMPENSATION TABLE

Named Executive Officer	Year[1]	Salary ($)	Bonus ($)	Stock Awards[4] ($)	Option Awards[5] ($)	Non-Equity Incentive Plan Compensation[6] ($)	Change in Pension Value And Nonqualified Deferred Compensation Earnings[7] ($)	All Other Compensation[8] ($)	Total ($)
Juan Ramón Alaix	2013	825,000		2,464,437	1,999,995	1,218,000	0	99,679	6,607,
Chief Executive Officer	2012	613,533		438,013	441,787	500,000	458,739	49,559	2,501,
	2011	566,075		412,106	368,983	400,000	687,446	57,658	2,492,
Richard A. Passov	2013	615,000		1,031,599	699,998	443,000	0	75,762	2,865,
Executive Vice President and	2012	587,875		297,322	299,889	309,300	264,300	42,729	1,801,
Chief Financial Officer	2011	591,700[2]		332,519	297,732	335,000	589,014	44,148	2,190,
Kristin C. Peck	2013	605,000		1,601,562	559,994	443,000	0	83,903	3,293,
Executive Vice President and	2012	526,250	250,000[3]	421,189	424,843	396,000	208,815	51,316	2,278,
Group President									
Clinton A. Lewis, Jr.	2013	400,000		919,000	300,000	300,000	0	46,904	1,965,
Executive Vice President and	2012	373,800		428,837	129,951	174,900	261,964	13,946	1,383,
President, US Operations									
Catherine A. Knupp	2013	400,000		909,844	300,000	280,000	0	44,931	1,934,
Executive Vice President and	2012	362,733		423,874	124,954	174,900	196,166	25,375	1,308,
President, R&D									

(1) Although Zoetis was a separate company for only 11 months in 2013, the amounts shown in the Salary column in 2013 represent the full year 2013 earnings. The amounts shown for 2012 and 2011 were earned while Zoetis was wholly owned by Pfizer. Ms. Peck, Mr. Lewis and Dr. Knupp were not Named Executive Officers (NEOs) in 2012; as a result, their 2011 compensation is not included in this table.

(2) The amount shown in the Salary column for Mr. Passov in 2011 includes a one-time lump sum merit increase of $18,000.

(3) The amount shown in the Bonus column for Ms. Peck in 2012 represents a one-time bonus paid by Pfizer in recognition of her leadership and efforts related to the sale of the Pfizer Nutrition business.

(4) The amounts shown in the Stock Awards column represent the aggregate grant date fair values for the RSUs granted by Zoetis in 2013, including replacement RSU grants provided to make up for Pfizer equity awards that were forfeited upon Zoetis separation from Pfizer, as well as RSUs and Performance Share Awards (PSAs) granted by Pfizer in 2012 and 2011. The table below shows the Pfizer equity awards that were forfeited by the NEOs in 2013 and replaced by RSU grants in August 2013, some of which are reflected in the Stock Awards and Option Awards columns for 2012 and 2011. Further information regarding the 2013 awards is included in the 2013 Grants of Plan-Based Awards Table and the 2013 Outstanding Equity Awards at Fiscal Year-End Table. The aggregate grant date fair values have been determined based on the assumptions and methodologies set forth in Note 15 to Zoetis 2013 Annual Report on Form 10-K, filed with the SEC on March 26, 2014.

	Number of Units Forfeited			Number of Replacement	Grant Date Value of Replacement
Named Executive Officer	RSUs	PSAs	TSRUs	RSUs	RSUs ($)
Juan Ramón Alaix	8,389	7,931		15,471	464,439
Richard A. Passov	5,993	5,658		11,046	331,601
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

EXECUTIVE COMPENSATION

(5) The amounts shown in this column represent the aggregate grant date fair values of the non-qualified stock options awarded by Zoetis in 2013, and the Total Shareholder Return Units (TSRUs) awarded by Pfizer in 2012 and 2011. The Pfizer TSRU awards were forfeited by some of the NEOs and replaced by Zoetis RSU awards in 2013 as shown in the table to Note 4. A Black-Scholes value of $7.01 per share was used for the 2013 Zoetis stock option awards. Further information regarding the 2013 awards is included in the 2013 Grants of Plan-Based Awards Table and the 2013 Outstanding Equity Awards at Fiscal Year-End Table. The aggregate grant date fair values have been determined based on the assumptions and methodologies set forth in Note 15 to Zoetis 2013 Annual Report on Form 10-K, filed with the SEC on March 26, 2014.

(6) The amounts shown in this column represent annual cash incentive awards made to the NEOs under the Zoetis Annual Incentive Plan for 2013, and under Pfizer s Global Performance Plan for 2012 and 2011.

(7) Zoetis does not maintain a defined benefit pension plan for which any of our NEOs are eligible and does not pay above market interest on non-qualified deferred compensation to employees. For 2012 and 2011, this column reflects pension accruals under Pfizer pension plans. The 2012 pension accrual amounts represent the difference between the December 31, 2012 and December 31, 2011 present values of age 65 accrued pensions under the Pfizer Retirement Annuity Plan and Pfizer Retirement Supplemental Plan, based on the pension plan assumptions for each year. The 2011 pension accrual amounts represent the difference between the December 31, 2011 and December 31, 2010 present values of age 65 accrued pensions under the Pfizer Retirement Annuity Plan and Pfizer Retirement Supplemental Plan, based on the pension plan assumptions for each year. Pfizer did not pay above market interest on non-qualified deferred compensation to employees.

(8) The amounts shown in this column represent the sum of profit sharing and matching contributions under the Zoetis Savings Plan (ZSP) and Zoetis Supplemental Savings Plan (ZSSP) as of December 31, 2013. The savings plan matching contributions include matching funds under the Pfizer Savings Plan (PSP) and the ZSP (both tax-qualified retirement savings plans), as well as matching contributions under the related Pfizer Supplemental Savings Plan (PSSP) and the ZSSP, as shown in the table below. The ZSP and ZSSP became effective on July 1, 2013. Balances as of July 10, 2013 in the PSP and PSSP were transferred into the ZSP and ZSSP respectively on July 11, 2013. The ZSSP is discussed in more detail in the 2013 Non-Qualified Deferred Compensation Table. In addition, the Other column in the table below represents the imputed income related to Zoetis group term life insurance coverage in excess of $50,000 and other miscellaneous reimbursements from Zoetis.

	Savings Plan ($)			Supplemental Savings Plan ($)				All Other
							Other	Compensation
Named Executive Officer	Pfizer	Zoetis	Total	Pfizer	Zoetis	Total	($)	($)
Juan Ramón Alaix	11,195	10,200	21,395	26,774	44,050	70,824	7,461	99,679
Richard A. Passov	9,367	10,200	19,567	17,236	34,460	51,695	4,500	75,762
Kristin C. Peck	11,475	10,200	21,675	18,823	37,403	56,226	6,002	83,903
Clinton A. Lewis, Jr.	11,475	10,200	21,675	4,646	17,796	22,441	2,787	46,904
Catherine A. Knupp	10,871	12,200	23,070	4,646	15,796	20,442	1,419	44,931

2013 GRANTS OF PLAN-BASED AWARDS TABLE

The following 2013 Grants of Plan Based Awards Table provides additional information about non-equity incentive awards and long-term incentive awards granted to our NEOs during the year ended December 31, 2013.

Named Executive Officer	Award	Grant Date	Date of Committee Action	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1) Threshold ($)	Target ($)	Maximum ($)	All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)
Juan Ramón Alaix	Annual Incentive			0	870,000	1,740,000			
	Stock Options(4)	1/31/13	1/30/13					285,306	26.00
	Restricted Stock Units(4)	1/31/13	1/30/13				76,923		
	Restricted Stock Units(5)	8/15/13	8/1/13				15,471		
Richard A. Passov	Annual Incentive			0	385,000	770,000			
	Stock Options(4)	1/31/13	1/30/13					99,857	26.00
	Restricted Stock Units(4)	1/31/13	1/30/13				26,923		
	Restricted Stock Units(5)	8/15/13	8/1/13				11,046		
Kristin C. Peck	Annual Incentive			0	385,000	770,000			
	Stock Options(4)	1/31/13	1/30/13					79,885	26.00
	Restricted Stock Units(4)	1/31/13	1/30/13				21,538		
	Restricted Stock Units(5)	8/15/13	8/1/13				34,696		
Clinton A. Lewis, Jr.	Annual Incentive			0	180,000	360,000			
	Stock Options(4)	1/31/13	1/30/13					42,796	26.00
	Restricted Stock Units(4)	1/31/13	1/30/13				11,538		
	Restricted Stock Units(5)	8/15/13	8/1/13				20,620		
Catherine A. Knupp	Annual Incentive			0	240,000	480,000			
	Stock Options(4)	1/31/13	1/30/13					42,796	26.00
	Restricted Stock Units(4)	1/31/13	1/30/13				11,538		
	Restricted Stock Units(5)	8/15/13	8/1/13				20,315		

(1) The amounts represent the threshold, target and maximum non-equity incentive plan awards under the Zoetis Annual Incentive Plan for 2013.

(2) The RSU award values were converted to units using the Zoetis IPO price on February 1, 2013 of $26.00 and the Zoetis closing stock price on August 15, 2013 of $30.02; the Stock Option award values were converted to units using a Black-Scholes value on January 31, 2013 of $7.01. Zoetis closing stock price on December 31, 2013 was $32.69.

(3) The amounts shown in this column represent the award values as of the grant dates. The value of the RSUs is shown at the IPO price on February 1, 2013 of $26.00 and at the closing stock price on August 15, 2013 of $30.02. The value of the Stock Options are shown with a Black-Scholes value of $7.01 as of January 31, 2013. For each Named Executive Officer, the values of the January 31, 2013 stock option and RSU awards were intended to be equal prior to their conversion to units. There are slight differences in value due to rounding down to the next lowest whole unit.

(4) These Zoetis stock option and RSU awards cliff vest on the third anniversary of the grant date.

(5) The August 15, 2013 RSU awards were provided to replace forfeited Pfizer equity awards, and vest on the same schedule as the Pfizer awards they are replacing.

(6) The Zoetis IPO price on February 1, 2013.

EXECUTIVE COMPENSATION

2013 OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END TABLE

The following 2013 Outstanding Equity Awards at Fiscal Year-End Table summarizes the equity-based long-term incentive awards made to our NEOs that were outstanding as of December 31, 2013. The information shown in this table reflects outstanding Zoetis equity awards; it does not include outstanding Pfizer equity awards. Pfizer equity awards outstanding as of December 31, 2013 are shown in a separate table below. The values provided in that table are based on Pfizer s closing stock price of $30.63 on December 31, 2013.

		Option Awards				Stock Awards	
Named Executive Officer	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)
Juan Ramón Alaix	01/31/13		285,306(3)	26.00(4)	1/31/2023		
	01/31/13					77,397(3)	2,530,093
	08/15/13					15,503(5)	506,779
	Total		285,306			92,899	3,036,872
Richard A. Passov	01/31/13		99,857(3)	26.00(4)	1/31/2023		
	01/31/13					27,089(3)	885,531
	08/15/13					11,069(5)	361,831
	Total		99,857			38,157	1,247,362
Kristin C. Peck	01/31/13		79,885(3)	26.00(4)	1/31/2023		
	01/31/13					21,671(3)	708,411
	08/15/13					34,767(5)	1,136,528
	Total		79,885			56,437	1,844,939
Clinton A. Lewis, Jr.	01/31/13		42,796(3)	26.00(4)	1/31/2023		
	01/31/13					11,609(3)	379,499
	08/15/13					20,662(5)	675,444
	Total		42,796			32,271	1,054,943
Catherine A. Knupp	01/31/13		42,796(3)	26.00(4)	1/31/2023		
	01/31/13					11,609(3)	379,499
	08/15/13					20,356(5)	665,453
	Total		42,796			31,965	1,044,952

(1) Includes accrued dividend equivalent units.

(2) Based on Zoetis closing stock price on December 31, 2013, of $32.69.

(3) These Zoetis stock option and RSU awards cliff vest on the third anniversary of the grant date.

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

(5) These Zoetis RSUs, which include dividend equivalent units applied after the grant date, were provided to replace forfeited Pfizer equity awards, and have the following vesting dates:

Named Executive Officer	# of Units Vesting	Vest Date
Juan Ramón Alaix	4,257	2/24/2014
	11,246	2/23/2015
	15,503	
Richard A. Passov	3,435	2/24/2014
	7,634	2/23/2015
	11,069	
Kristin C. Peck	3,435	2/24/2014
	10,815	2/23/2015
	20,517	8/15/2016
	34,767	
Clinton A. Lewis, Jr.	1,174	2/24/2014
	3,308	2/23/2015
	9,711	12/31/2015
	6,469	8/15/2016
	20,662	
Catherine A. Knupp	1,174	2/24/2014
	3,180	2/23/2015
	9,711	12/31/2015
	6,291	8/15/2016
	20,356	

EXECUTIVE COMPENSATION

		Pfizer Option/TSRU Awards						Pfizer Stock Awards			
Named Executive Officer	Grant Date/ Performance Share Period	Number of Securities Underlying Unexercised Options Exercisable (#)[(a)]	Number of Securities Underlying Unexercised Options Unexercisable (#)	Number of Securities Underlying Unexercised TSRUs Vested (#)[(b)(c)]	Number of Securities Underlying Unexercised TSRUs Unvested (#)[(c)]	Option/ TSRU Exercise Price ($)	Option/ TSRU Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)[(c)(d)]	Market Value of Shares or Units of Stock That Have Not Vested ($)	Incentive Plan Awards: Number of Unearned Shares That Have Not Vested (#)[(c)]	Incentive Plan Awards: Market Value of Unearned Shares That Have Not Vested ($)
Juan Ramón Alaix	2/26/2004	40,000				37.15	2/25/2014				
	2/26/2009			38,557		12.70	2/26/2014				
	12/31/2009			37,473		18.19	12/31/2014				
	2/25/2010			36,599		17.69	2/25/2015				
	2/24/2011				42,348	18.90	2/24/2016	8,316(e)	254,732		
	2/24/2011				35,058	18.90	2/24/2018				
	2/23/2012				53,635	21.03	2/23/2017	4,956(e)	151,814		
	2/23/2012				45,468	21.03	2/23/2019				
	1/1/2011 - 12/31/2013									7,451	228,224
	1/1/2012 - 12/31/2014									4,627	141,725
		40,000		112,629	176,509			13,273	406,546	12,078	369,949
Richard A. Passov	2/26/2004	80,000				37.15	2/25/2014				
	2/26/2009			40,423		12.70	2/26/2014				
	2/25/2010			32,939		17.69	2/25/2015				
	2/24/2011				34,171	18.90	2/24/2016	6,710(e)	205,538		
	2/24/2011				28,288	18.90	2/24/2018				
	2/23/2012				36,408	21.03	2/23/2017	3,364(e)	103,051		
	2/23/2012				30,864	21.03	2/23/2019				
	1/1/2011 - 12/31/2013									6,012	184,148
	1/1/2012 - 12/31/2014									3,141	96,209
		80,000		73,362	129,731			10,075	308,589	9,153	280,356
Kristin C. Peck	2/26/2009			24,493		12.70	2/26/2014				
	12/31/2009			26,767		18.19	12/31/2014				
	2/25/2010			28,857		17.69	2/25/2015				
	2/24/2011			26,534		18.90	2/24/2016				
	2/24/2011			21,966		18.90	2/24/2018				
	2/23/2012			22,916		21.03	2/23/2017				
	2/23/2012			19,427		21.03	2/23/2019				
	1/1/2011 - 12/31/2013									6,012	184,148
	1/1/2012 - 12/31/2014									4,449	136,273

		170,960			10,461	320,420

EXECUTIVE COMPENSATION

		Pfizer Option/TSRU Awards						Pfizer Stock Awards			
Named Executive Officer	**Grant Date/ Performance Share Period**	**Number of Securities Underlying Unexercised Options Exercisable (#)[(a)]**	**Number of Securities Underlying Unexercised Options Unexercisable (#)**	**Number of Securities Underlying Unexercised TSRUs Vested (#)[(b)(c)]**	**Number of Securities Underlying Unexercised TSRUs Unvested (#)[(c)]**	**Option/ TSRU Exercise Price ($)**	**Option/ TSRU Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested (#)[(c)(d)]**	**Market Value of Shares or Units of Stock That Have Not Vested ($)**	**Incentive Plan Awards: Number of Unearned Shares That Have Not Vested (#)[(c)]**	**Incentive Plan Awards: Market Value of Unearned Shares That Have Not Vested ($)**
Clinton A. Lewis, Jr.	2/26/2004	27,000				37.15	2/25/2014				
	2/26/2009			11,940		12.70	2/26/2014				
	12/31/2009			10,707		18.19	12/31/2014				
	2/25/2010			11,655		17.69	2/25/2015				
	2/24/2011			9,071		18.90	2/24/2016				
	2/24/2011			7,510		18.90	2/24/2018				
	2/23/2012			7,010		21.03	2/23/2017				
	2/23/2012			5,942		21.03	2/23/2019				
	1/1/2011 - 12/31/2013									2,055	62,94
	1/1/2012 - 12/31/2014									1,361	41,68
		27,000		63,835						3,416	104,63
Catherine A. Knupp	2/26/2004	27,500				37.15	2/25/2014				
	2/26/2009			9,204		12.70	2/26/2014				
	12/31/2009			16,060		18.19	12/31/2014				
	2/25/2010			10,417		17.69	2/25/2015				
	2/24/2011			9,071		18.90	2/24/2016				
	2/24/2011			7,510		18.90	2/24/2018				
	2/23/2012			6,740		21.03	2/23/2017				
	2/23/2012			5,714		21.03	2/23/2019				
	1/1/2011 - 12/31/2013									2,055	62,94
	1/1/2012 - 12/31/2014									1,308	40,06
		27,500		64,716						3,363	103,00

(a) Outstanding Pfizer stock options are fully vested.

(b) Outstanding Pfizer TSRUs vested in accordance with the schedule below:

Grant Date	**Vesting**
2/26/2009	These Pfizer TSRUs vested on 2/26/2012 and become payable on 2/26/2014.
12/31/2009	These Pfizer TSRUs vested on 12/31/2012 and become payable on 12/31/2014.
2/25/2010	These Pfizer TSRUs vested on 2/25/2013 and become payable on 2/25/2015.
2/24/2011	These Pfizer TSRUs vested on 6/24/2013 upon Zoetis' separation from Pfizer, and become payable on 2/24/2016 and 2/24/2018, respectively.
2/23/2012	These Pfizer TSRUs vested on 6/24/2013 upon Zoetis' separation from Pfizer, and become payable on 2/23/2017 and 2/23/2019, respectively.

(c) A portion of the original Pfizer 2011 and 2012 TSRU, RSU and PSA awards to NEOs were forfeited and replaced by one time Zoetis RSU awards on August 15, 2013. More details on the forfeited Pfizer TSRUs, RSUs and PSAs are shown in Note 4 to the Summary Compensation Table.

(d) Includes accrued dividend equivalent units.

(e) These Pfizer RSU awards vested on June 24, 2013 upon Zoetis separation from Pfizer, but will not be released until the 3rd anniversary of the grant date (i.e., original vest date). These awards were not cancelled upon separation from Pfizer because Mr. Alaix and Mr. Passov were considered retirement-eligible under Pfizer s long-term incentive plan.

EXECUTIVE COMPENSATION

2013 OPTION EXERCISES AND STOCK VESTED TABLE

The following 2013 Option Exercises and Stock Vested Table provides additional information about the value realized by our NEOs on stock option exercises and the vesting of stock/unit awards during the year ended December 31, 2013. As Zoetis long-term incentive awards are subject to three-year cliff vesting and do not vest until the third anniversary of the grant date, and the first grants under Zoetis 2013 Equity and Incentive Plan were made in 2013, there are currently no option exercises or stock vesting to report. This table excludes any information related to Pfizer equity awards.

	Option Awards		Stock Awards	
Named Executive Officer	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Juan Ramón Alaix	0	0	0	0
Richard A. Passov	0	0	0	0
Kristin C. Peck	0	0	0	0
Clinton A. Lewis, Jr.	0	0	0	0
Catherine A. Knupp	0	0	0	0

The table below shows Pfizer Stock Options that were exercised in 2013, as well as Pfizer RSUs and Performance Share Awards (PSAs) that vested in 2013:

	Option Awards		Restricted Stock Units		Performance Share Awards*	
Named Executive Officer	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Juan Ramón Alaix	193,000	368,355	10,210	274,036	15,787**	432,090
Richard A. Passov	239,000	472,255	9,189	246,642	14,208	388,873
Kristin C. Peck	28,000	43,243	19,254	526,517	12,448	340,702
Clinton A. Lewis, Jr.	76,000	152,248	8,859	242,641	5,027	137,589
Catherine A. Knupp	71,700	138,365	8,459	231,860	4,494	123,001

* The performance shares were determined based on Pfizer s relative TSR performance over the 2010-2012 performance period and were paid on February 28, 2013 at $27.37.

** These shares were deferred per Mr. Alaix election.

The table below shows Pfizer TSRUs granted on February 28, 2008 that were settled on February 28, 2013 at $27.37:

Named Executive Officer	Number of Shares Acquired on Settlement (#)	Value Realized on Settlement ($)
Juan Ramón Alaix	7,879	215,657
Richard A. Passov	12,338	337,684
Kristin C. Peck	5,266	144,119
Clinton A. Lewis, Jr.	3,075	84,161
Catherine A. Knupp	2,345	64,172

2013 NON-QUALIFIED DEFERRED COMPENSATION TABLE

The following 2013 Non-Qualified Deferred Compensation Table summarizes activity during 2013 and account balances in the Zoetis Supplemental Savings Plan for our NEOs as of December 31, 2013. These amounts include prior Supplemental Savings Plan balances held by our NEOs when they served as executives of Pfizer.

Named Executive Officer	Plan [1]	Aggregate Balance at January 1, 2013 ($)	Executive Contributions in 2013 ($) [2]	Company Contributions in 2013 ($) [3]	Aggregate Earnings in 2013 ($)	Aggregate Withdrawals/ Distributions in 2013 ($)	Aggregate Balance as of December 31, 2013 ($)
Juan Ramón Alaix	Zoetis Supplemental Savings Plan	1,157,566	167,195	70,824	247,351	-	1,642,935
Richard A. Passov	Zoetis Supplemental Savings Plan	2,583,728	186,790	51,695	221,849	-	3,044,062
Kristin C. Peck	Zoetis Supplemental Savings Plan	356,049	43,247	56,226	105,146	-	560,667
Clinton A. Lewis, Jr.	Zoetis Supplemental Savings Plan	0	18,194	22,441	1,694	-	42,330
Catherine A. Knupp	Zoetis Supplemental Savings Plan	516,317	51,550	20,442	70,960	-	659,268

(1) The key features of the plan are described in the Compensation Discussion and Analysis. January 1, 2013 balances reflect balances under the Pfizer Supplemental Savings Plan (PSSP). The Zoetis Supplemental Savings Plan (ZSSP) was implemented on July 1, 2013. Balances under the PSSP as of July 10, 2013 were transferred into the ZSSP on July 11, 2013. Amounts shown in the Executive Contributions in 2013, Company Contributions in 2013 and Aggregate Earnings in 2013 columns reflect the aggregate totals from both the PSSP and ZSSP. The table below shows the balances transferred from the PSSP into the ZSSP on July 11, 2013.

Named Executive Officer	Transferred Balance ($)
Juan Ramón Alaix	1,415,485
Richard A. Passov	2,798,076
Kristin C. Peck	457,483
Clinton A. Lewis, Jr.	10,817
Catherine A. Knupp	567,138

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

(3) Company contribution amounts shown in this table 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 Zoetis Savings Plan 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.

EXECUTIVE COMPENSATION

POTENTIAL PAYMENTS UPON EMPLOYMENT TERMINATION TABLE

The following Potential Payments upon Employment Termination Table shows the estimated benefits payable upon a hypothetical termination of employment under Zoetis Executive Severance Plan and 2013 Equity and Incentive Plan under various termination scenarios as of December 31, 2013. Severance benefits are subject to the execution of a release agreement.

Named Executive Officer	Description	Without Cause ($)	Change in Control ($)	Death or Disability ($)	Retirement ($)
Juan Ramón Alaix	Severance Amount	2,835,000(1)	4,725,000(5)	-	-
	Value of Benefits Continuation	13,365(2)	20,048(6)	-	-
	Value of Outplacement Services	16,560(3)	16,560(3)	-	-
	Equity Acceleration	2,871,012(4)	4,945,569(7)	4,945,569(8)	-
	TOTAL	5,735,937	9,707,177	4,945,569	
Richard A. Passov	Severance Amount	1,000,000(1)	2,000,000(5)	-	-
	Value of Benefits Continuation	18,964(2)	28,445(6)	-	-
	Value of Outplacement Services	16,560(3)	16,560(3)	-	-
	Equity Acceleration	1,080,266(4)	1,915,405(7)	1,915,405(8)	-
	TOTAL	2,115,790	3,960,410	1,915,405	
Kristin C. Peck	Severance Amount	990,000(1)	1,980,000(5)	-	-
	Value of Benefits Continuation	18,937(2)	28,405(6)	-	-
	Value of Outplacement Services	16,560(3)	16,560(3)	-	-
	Equity Acceleration	1,002,844(4)	2,379,370(7)	2,379,370(8)	-
	TOTAL	2,028,341	4,404,335	2,379,370	
Clinton A. Lewis, Jr.	Severance Amount	580,000(1)	1,160,000(5)	-	-
	Value of Benefits Continuation	18,699(2)	28,049(6)	-	-
	Value of Outplacement Services	16,560(3)	16,560(3)	-	-
	Equity Acceleration	533,399(4)	1,341,248(7)	1,341,248(8)	-
	TOTAL	1,148,658	2,545,857	1,341,248	
Catherine A. Knupp	Severance Amount	640,000(1)	1,280,000(5)	-	-
	Value of Benefits Continuation	19,772(2)	29,658(6)	-	-
	Value of Outplacement Services	16,560(3)	16,560(3)	-	-
	Equity Acceleration	531,634(4)	1,331,257(7)	1,331,257(8)	-
	TOTAL	1,207,965	2,657,475	1,331,257	

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

(2) These amounts represent the cost of 12 months of active health and life insurance coverage.

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

(4) These amounts represent the value of Zoetis long-term incentive awards that vest on the executive s involuntary termination without Cause using Zoetis closing stock price of $32.69 on December 31, 2013. In the event of an executive s involuntary termination without Cause, unvested stock options fully vest while unvested RSUs vest on a pro rata basis.

(5) These amounts represent severance payable under the Zoetis Executive Severance Plan, equal to 30 months base salary and target bonus for the CEO, and equal to 24 months base salary and target bonus for the other NEOs in the event of the executive s involuntary termination without Cause or for Good Reason within 24 months after a change in control.

(6)

These amounts represent the cost of 18 months of active health and life insurance coverage.

(7) These amounts represent the value of Zoetis long-term incentive awards that vest following a change in control using Zoetis closing stock price of $32.69 on December 31, 2013. In the event of the executive s involuntary termination without Cause or for Good Reason within 24 months after a change in control, all unvested stock options and RSUs fully vest.

(8) These amounts represent the value of Zoetis long-term incentive awards that vest on termination of employment due to death or disability using Zoetis closing stock price of $32.69 on December 31, 2013. In the event of the executive s termination due to death or disability, all unvested stock options and RSUs fully vest.

Under our Executive Severance Plan, Cause includes acts of dishonesty, fraud, or misrepresentation in connection with the executive s responsibilities to the company; a willful, material violation of any law or regulation applicable to the business of the company; a conviction of, or plea of nolo contendere to, a felony or any crime that results in or is reasonably expected to result in material injury to the business or reputation of the company; willful misconduct or gross negligence in carrying out the executive s job responsibilities; unauthorized use or disclosure of proprietary information or trade secrets; willful breach of obligations under any written agreement or covenant with the company that is injurious to the company; violation or disregard of any company policy that results in or is reasonably expected to result in material injury to the business or reputation of the company; failure or refusal to perform the executive s duties or responsibilities to the company; and neglect or persistent unsatisfactory performance of the executive s duties, and failure to cure such condition within 30 days after receiving written notice.

Under our Executive Severance Plan, Good Reason is defined as the executive s resignation, within 24 months of a change in control, due to one of the following conditions occurring without the executive s written consent (providing the requirements regarding advance notice and an opportunity to cure the condition are satisfied): a material reduction in the executive s base compensation; a material reduction in the executive s duties, authority, responsibilities, or reporting relationship; or a requirement to relocate to a facility or location more than 25 miles from the executive s current location, with an increase in commuting time of more than 30 minutes during normal commuting hours and under typical traffic conditions.

EQUITY COMPENSATION PLANS

The following table shows shares reserved for issuance for outstanding awards granted under the company s equity plans as of December 31, 2013.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	3,863,958(1)	$ 26.11	20,728,313
Equity compensation plans not approved by security holders			
Total	3,863,958(1)	$ 26.11	20,728,313

(1) Includes 2,879,564 stock options, 35,023 shares underlying deferred stock units (DSUs) and 949,370 shares underlying restricted stock units (RSUs). DSUs and RSUs are disregarded for purposes of determining weighted average exercise price.

ITEM 1 ELECTION OF DIRECTORS

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

The directors in Class I, whose terms expire at the 2014 Annual Meeting, are Gregory Norden, Louise M. Parent and Robert W. Scully. Each of these directors has been nominated by the Board of Directors, upon the recommendation of its Corporate Governance Committee, to stand for election for a term expiring at the 2017 Annual Meeting of Shareholders. Each of these nominees has consented to being named in this proxy statement as a Board nominee and to serve if elected.

Unless otherwise instructed, it is the intention of the proxy holders to vote the proxies received by them in response to this solicitation FOR the election of the nominees named above as directors. If any such nominee should refuse or be unable to serve, the proxies will be voted for such person as shall be designated by the Board of Directors to replace such nominee. The Board of Directors has no reason to believe that any of the Board nominees will refuse or be unable to serve as a director if elected.

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

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

INFORMATION ABOUT DIRECTORS

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

Name	Age(1)	Position(s) with the Company	Term Expires
Juan Ramón Alaix	62	Chief Executive Officer and Director	2016
Frank A. D Amelio	56	Director	2016
Sanjay Khosla	62	Director	2015
Michael B. McCallister	61	Non-Executive Chairman of the Board and Director	2016
Gregory Norden	56	Director	2014(2)
Louise M. Parent	63	Director	2014(2)
Willie M. Reed	59	Director	2015
Robert W. Scully	64	Director	2014(2)
William C. Steere, Jr.	77	Director	2015

(1) As of April 3, 2014.

(2) Nominee for re-election at the 2014 Annual Meeting for a term expiring in 2017.

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

DIRECTOR NOMINEES

GREGORY NORDEN

Age 56
Director since January 2013

Managing Director, G9 Capital Group, LLC, which invests in early stage ventures and provides corporate financial advisory services. From 1989 to 2010, Mr. Norden held various senior positions with Wyeth/American Home Products, most recently as Wyeth s Senior Vice President and Chief Financial Officer (2007 2010). Prior to this role, Mr. Norden was Executive Vice President and Chief Financial Officer of Wyeth Pharmaceuticals. Prior to his affiliation with Wyeth, Mr. Norden served as Audit Manager at Arthur Andersen & Co. Mr. Norden also serves on the boards of Welch Allyn, a provider of medical diagnostic equipment, and NanoString Technologies, a provider of life science tools for translational research and development of molecular diagnostic products. Mr. Norden is a former director of Human Genome Sciences, Inc., where he served until 2012. Mr. Norden s background in finance and experience as a senior executive in the global healthcare and pharmaceutical industries makes him a valuable member of our Board.

Specific qualifications, experience, skills, and expertise:

- Extensive experience in corporate finance, including as a former CFO
- Experience in global healthcare and pharmaceutical industries
- Background in accounting as an audit manager at a major accounting firm
- Public company director experience

LOUISE M. PARENT

Age 63
Director since August 2013

Former Executive Vice President and General Counsel of American Express Company (2003 2013). Ms. Parent brings deep experience in corporate governance and board matters, and compliance and risk management, gained during her tenure with American Express, where she worked extensively with the Audit, Compensation, and Nomination and Governance committees in her role as General Counsel. Ms. Parent also served on the operating committee and global management team of American Express from 2003 through 2013 and was a member of the board of American Express Centurion Bank through 2013. Ms. Parent holds a bachelor s degree from Smith College and a law degree from Georgetown University Law Center. Ms. Parent s experience in corporate governance, compliance and risk management, and global management makes her a valuable member of our Board.

Specific qualifications, experience, skills, and expertise:

- Extensive experience in corporate governance and board matters
- Extensive experience in compliance and risk management

- Operating and senior management experience as EVP and General Counsel at American Express
- Global business experience
- Legal background

ROBERT W. SCULLY

Age 64
Director since June 2013

Former member of the Office of the Chairman, Morgan Stanley. Mr. Scully has nearly 35 years of experience in the financial services industry. He served as a member of the Office of the Chairman of Morgan Stanley, focusing on the firm s key clients, until his retirement in January 2009. He served in various roles at Morgan Stanley from 1996 through 2008, and before that held various positions in other banking and financial services companies. He currently serves on the board of KKR & Co. LP, a global investment management firm. Mr. Scully holds a bachelor s degree from Princeton University and an MBA from Harvard Business School. Mr. Scully s global management experience, business development knowledge, and investor insights make him a valuable member of our Board.

Specific qualifications, experience, skills, and expertise:

- Extensive experience in financial services
- Global management experience
- Public company director experience

CONTINUING DIRECTORS

JUAN RAMÓN ALAIX

Age 62
Director since July 2012

Chief Executive Officer of our company (or its predecessor, Pfizer s animal health business unit (Pfizer Animal Health)) since July 2012. From 2006 to 2012 he served as President of Pfizer Animal Health, and was responsible for its overall strategic direction and financial performance. Under his leadership, the company grew to become a $4.3 billion enterprise in 2012 with more than 9,300 employees in over 70 countries. Mr. Alaix has 35 years experience in finance and management, including 20 years in the pharmaceutical industry. He joined Pfizer in 2003 and held various positions, including Regional President of Central/Southern Europe for Pfizer s pharmaceutical business. Prior to that, Mr. Alaix held various positions with Pharmacia, including as Country President of Spain, from 1998 until Pharmacia s acquisition by Pfizer in 2003. Earlier in his career he served in general management with Rhône-Poulenc Rorer in Spain and Belgium. In 2013, Mr. Alaix completed a two-year term as President of the International Federation for Animal Health (IFAH), and continues to serve as a member of its board and executive committee. IFAH represents manufacturers of veterinary medicines, vaccines and other animal health products in both developed and emerging markets. A native of Spain, Mr. Alaix received a graduate degree in economics from the Universidad de Madrid. Mr. Alaix s experience, including his knowledge and leadership of our company, his business and management experience, and his experience in the animal health industry make him a valuable member of our Board.

Specific qualifications, experience, skills, and expertise:

- Knowledge and leadership of our company as its current CEO and former President of Pfizer Animal Health
- Experience in animal health industry
- Global business experience
- Background in economics

FRANK A. D AMELIO

Age 56
Director since July 2012

Executive Vice President of Business Operations and Chief Financial Officer of Pfizer since December 2010, where he serves as a member of Pfizer s Senior Executive Leadership Team. Mr. D Amelio joined Pfizer in September 2007 and held various positions, including Senior Vice President and Chief Financial Officer. From November 2006 to August 2007, Mr. D Amelio held the position of Senior Executive Vice President of Integration and Chief Administrative Officer at Alcatel-Lucent, S.A., a global telecommunications equipment company. He currently serves as a member of the board of Humana Inc., a health care company that offers a wide range of insurance products and health and welfare services, and as chair of its audit committee. He also serves on the boards of the Independent College Fund of New Jersey and the Gillen-Brewer School, and formerly served as a member of the National Advisory Board of JPMorgan Chase & Co. Mr. D Amelio earned his MBA in Finance from St. John s University and his bachelor s degree in Accounting from St. Peter s College. Mr. D Amelio s business, management and leadership experience and his experience serving on the board of another public company make him a valuable member of our Board.

Specific qualifications, experience, skills, and expertise:

- Extensive management experience, including as a member of Pfizer s Senior Executive Leadership Team
- Experience in finance and accounting, including as CFO of Pfizer
- Global business experience
- Public company director experience

ITEM 1 ELECTION OF DIRECTORS

SANJAY KHOSLA

Age 62
Director since June 2013

Former Executive Vice President, Mondelēz International. Mr. Khosla brings more than 35 years of international business experience from his career with food, beverage and consumer product leaders such as Mondelēz, Kraft and Unilever, where he managed various business units, particularly in developing markets. As President, Kraft Foods, Developing Markets (now Mondelēz International) from 2007 to 2013, Mr. Khosla transformed the business from a $5 billion to a $16 billion business, while significantly improving profitability. He also has animal health experience from his three-year tenure (2004 2007) as Managing Director of Fonterra Brands and Food Service, a multinational dairy cooperative based in New Zealand. Mr. Khosla serves on the board of Best Buy, Inc., a specialty retailer of consumer electronics, personal computers, entertainment software and appliances, and on the board of NIIT, Ltd., a company involved in technology-related educational services. Mr. Khosla holds a bachelor s degree in electrical engineering from the Indian Institute of Technology in New Delhi. Mr. Khosla s international business and management experience and his experience serving on the board of another public company make him a valuable member of our Board.

Specific qualifications, experience, skills, and expertise:

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

MICHAEL MCCALLISTER

Age 61
Director since January 2013;
Board Chair since June 2013

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

Specific qualifications, experience, skills, and expertise:

- Extensive business and senior management experience, including as former CEO of Humana
- Background in accounting

- Experience in corporate governance
- Public company director experience

WILLIE M. REED

Age 59
Director since March 2014

Dean of the College of Veterinary Medicine at Purdue University, since 2006. Dr. Reed has more than 30 years of experience in animal health and veterinary medicine, gained during his tenure at Purdue University and Michigan State University, and as a Diplomate of the American College of Veterinary Pathologists and Charter Diplomate of the American College of Poultry Veterinarians. Dr. Reed has served as President of the Association of American Veterinary Medical Colleges (AAVMC), President of the American Association of Veterinary Laboratory Diagnosticians (AAVLD), President of the American Association of Avian Pathologists (AAAP) and Chair of the American Veterinary Medical Association Council on Research. He currently serves on the American Veterinary Medical Association s (AVMA) Member Services Committee. Dr. Reed has a Doctor of Veterinary Medicine degree from Tuskegee University, and a Ph.D in Veterinary Pathology from Purdue University. Dr. Reed s medical expertise, his deep understanding of veterinary medicines and vaccines and his leadership experience in the animal health community make him a valuable member of our Board.

Specific qualifications, experience, skills, and expertise:

- Doctorate in veterinary medicine
- Expert in avian pathology, diagnostic medicine and infectious diseases
- Scientific understanding of veterinary medicines and vaccines
- Extensive leadership experience in the animal health community

WILLIAM C. STEERE, JR.

Age 77
Director since January 2013

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

Specific qualifications, experience, skills, and expertise:

- Extensive senior management experience, including as former CEO of Pfizer
- Knowledge of animal health business
- Global business experience
- Public company director experience

EXECUTIVE OFFICERS

The following persons currently serve as our executive officers.

JUAN RAMÓN ALAIX

Age 62
Chief Executive Officer and Director

Information about Mr. Alaix is provided on page 45.

RICHARD A. PASSOV

Age 55
Executive Vice President and Chief Financial Officer

Mr. Passov has served as our Executive Vice President and Chief Financial Officer since July 2012. He joined Pfizer in 1997 and served as Senior Vice President and Treasurer of Pfizer from 2001 to 2012, and as Assistant Treasurer of Pfizer from 1997 to 2001.

SANDRA J. BEATY

Age 56
Executive Vice President of Corporate Affairs

Ms. Beaty has served as our Executive Vice President of Corporate Affairs since October 2012. Ms. Beaty joined Pfizer in 1996 and held various positions, including Senior Vice President of Public Affairs and Chief of Staff to the former Pfizer Chairman and CEO.

ALEJANDRO BERNAL

Age 41
Executive Vice President and Area President of the Europe, Africa and Middle East Region

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

HEIDI C. CHEN

Age 47
Executive Vice President, General Counsel and Corporate Secretary

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

CATHERINE A. KNUPP

Age 53
Executive Vice President and President of Research and Development

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

ROXANNE LAGANO

Age 49
Executive Vice President and Chief Human Resources Officer

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

JOYCE J. LEE

Age 41
Executive Vice President and Area President of the Canada and Latin America Region

Ms. Lee has served as our Executive Vice President and Area President of the Canada and Latin America region since October 2012 and was Area President of the same region for Pfizer Animal Health from 2010 to 2012. Ms. Lee joined Pfizer in 2003 with its acquisition of Pharmacia and held various positions, including Vice President of Global Poultry and Vice President of Global Business Technology, for Pfizer Animal Health.

CLINTON A. LEWIS, JR.

Age 47
Executive Vice President and President of U.S. Operations

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

KRISTIN C. PECK

Age 42
Executive Vice President and Group President

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

STEFAN WEISKOPF

Age 54
Executive Vice President and Area President of the Asia Pacific Region

Mr. Weiskopf has served as our Executive Vice President and Area President of the Asia Pacific region, which includes Australia and New Zealand, since October 2012 and was Area President of that region for Pfizer's animal health business unit from 2007 to 2012. Mr. Weiskopf joined Pfizer in 1988 and held various positions, including Division Director Animal Health for Germany, Austria and Switzerland.

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

As required by the Dodd-Frank Wall Street Reform and Consumer Protection Act, we are seeking your vote, on an advisory basis, on the compensation of our named executive officers as described in the *Compensation Discussion and Analysis* and the compensation tables and accompanying narrative disclosure, as provided on pages 17 to 41 of this proxy statement. This Item gives you an opportunity to express your view of our 2013 executive compensation programs and policies. While the vote does not address any specific item of compensation and is not binding on the Board, the Compensation Committee will consider the outcome of the vote when making future executive compensation decisions.

Our Board of Directors believes that our executive compensation program is well designed, appropriately aligns executive pay with company performance, and incentivizes desirable executive performance.

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

ITEM 3 ADVISORY VOTE ON THE FREQUENCY OF FUTURE ADVISORY VOTES ON EXECUTIVE COMPENSATION

In accordance with SEC regulations and the Dodd-Frank Act, we are seeking your vote, on an advisory basis, on whether we should hold an advisory say on pay vote, such as Item 2 in our proxy statement, every one, two, or three years. We are required to hold this non-binding, frequency vote at least once every six years.

Our Board of Directors believes that an annual advisory vote on executive compensation is the best approach for our company. It would allow our shareholders to provide timely, direct input on our executive compensation policies and practices as disclosed in the proxy statement each year. We recognize that shareholders may have different views as to the appropriate frequency of the say on pay vote and look forward to hearing from you as to your preference.

You may vote to hold a say on pay vote every one year, two years, or three years, or you may abstain. You are not voting for or against the Board s recommendation.

We will treat the option that receives the highest number of votes cast as the recommendation of our shareholders. While the vote is not binding on the Board, the Compensation Committee and the Board will consider the outcome of the vote in determining how frequently to present shareholders with a say on pay vote. However, we may decide that it is in the best interests of our company to hold an advisory vote on executive compensation more or less frequently than the option voted for by our shareholders.

ITEM 3 RECOMMENDATION: OUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE TO HOLD AN ADVISORY VOTE ON EXECUTIVE COMPENSATION EVERY YEAR.

ITEM 4 APPROVAL OF 2013 EQUITY AND INCENTIVE PLAN

We are seeking your approval of our 2013 Equity and Incentive Plan (the Plan). We adopted the Plan while we were wholly owned by Pfizer. The Plan was approved by Pfizer as our sole shareholder and became effective January 28, 2013. We are seeking your approval of the

Plan because such approval is one of the requirements which must be satisfied in order for awards under the Plan to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code and thus be tax deductible by us.

KEY TERMS OF THE PLAN

The following is a summary of the key provisions of our 2013 Equity and Incentive Plan. Some of these provisions are described in greater detail below. The summary and descriptions are qualified by reference to the text of the Plan, which is set forth as Appendix A to this Proxy Statement.

Shares Authorized	25 million (subject to adjustment to reflect stock splits and other changes in capitalization); no more than 50% of such shares may be issued with respect to incentive stock options (ISOs).
Eligible Participants	Employees (including officers) of the company and its affiliates, and non-employee directors of the company. Award recipients are selected by the Administrator from among those eligible.
Types of Awards	● stock options ● stock appreciation rights (SARs) ● restricted stock ● restricted stock units (RSUs) ● stock payment awards ● performance awards (cash or stock) ● dividend equivalents ● other incentive awards The plan authorizes awards that are intended to qualify as performance-based under Section 162(m) as well as awards that are not intended to so qualify.
Individual Award Limits (per person in any calendar year)	● 1.5 million shares subject to options and SARs granted in any year ● 1.5 million shares subject to awards other than options and SARs granted in any year ● $10 million paid in any year under cash-denominated awards intended to be performance-based under Section 162(m) ● $500,000 aggregate grant date fair value for awards to non-employee directors These limits are subject to adjustment to reflect stock splits and other changes in capitalization.
No Discounted Stock Options or SARs	Stock options and SARs may not be granted with exercise prices lower than the fair market value of the underlying shares on the date of grant.
No Repricing Without Shareholder Approval	We will not reduce the exercise price of a stock option or SAR or exchange such award for cash, an award of a different type, or another award with a lower exercise price without shareholder approval (except in accordance with the Plan s adjustment provision).
No Liberal Share Recycling	Shares surrendered or withheld to pay the exercise price of an award or withholding taxes related to an award will not become available for future awards.
Vesting	Restricted stock and RSU awards whose vesting is time-based generally vest no earlier than pro rata over a 3-year period, except for awards covering up to 5% of the shares authorized under the Plan and awards made to replace forfeited Pfizer equity awards. We intend to grant awards that cliff vest on the third anniversary of the grant date.
Claw-back	All awards under the plan are subject to the company s claw-back policy as from time to time in effect.
Plan Termination	No awards may be granted after January 28, 2023.

DESCRIPTION OF THE EQUITY PLAN

The purposes of the Plan are to provide long-term incentives to individuals with significant responsibility for our success and growth, to align the interests of such individuals with those of our shareholders, to assist us in recruiting, retaining, and motivating our employees, and to provide an effective means to link pay to performance. The Plan provides for the grant

of stock options (both incentive stock options (ISOs) and non-qualified stock options), restricted stock, restricted stock units (RSUs), performance awards (cash or stock), dividend equivalent awards, stock payment awards, stock appreciation rights (SARs), and other incentive awards.

ADMINISTRATION

The Plan is administered by the Compensation Committee with respect to awards to employees and by the full Board with respect to awards to non-employee directors. The Board may also exercise any right of the Committee except as to matters where regulatory or stock exchange requirements call for action by an independent committee. The Committee or Board, as applicable, is referred to as the Administrator. The Administrator has the power to interpret the Plan and all award agreements; to adopt, amend, and interpret rules for the administration of the Plan; to designate the individuals who will receive awards and the number and types of awards to be granted to each; to determine the terms and conditions of awards, which need

not be uniform; and to make all other decisions and determinations that may be required under the Plan or that the Administrator deems necessary or advisable to administer the Plan. The Administrator has authority to adopt modifications, procedures, and subplans for awards to participants who are foreign nationals or are working outside the United States to conform to local laws and regulations. All decisions and interpretations of the Administrator are final and binding on all persons. To the extent permitted by law and subject to restrictions set forth in the Plan, the Administrator may delegate some or all of its authority to a committee of directors or to one or more officers.

LIMITATIONS ON SIZE OF AWARDS

A maximum of 25 million shares may be issued under the Plan (subject to adjustment). No more than 50% of the shares authorized for the Plan may be issued with respect to incentive stock options (ISOs). The number of shares that can be subject to stock options and stock appreciation rights granted to any one employee in any calendar year cannot exceed 1.5 million shares (subject to adjustment), and the number of shares that can be subject to stock-denominated awards other than stock options and SARs granted to any one employee in any calendar year cannot exceed 1.5 million shares (subject to adjustment). No more than $10 million may be paid to any employee in any year under a cash-denominated award that is intended to be performance-based under

Section 162(m) of the Code. The maximum aggregate grant date fair value of awards to any non-employee director in any calendar year cannot exceed $500,000.

Both (i) shares that are authorized but unissued, and (ii) shares that have been reacquired by the company, are available to be awarded under the Plan. Any awarded shares that are forfeited, cancelled, exchanged, or surrendered, and any shares subject to an award that terminates or expires without a distribution of shares to the participant, will again be available for awards under the Plan, except that shares that are surrendered or withheld to pay the exercise price of an award or withholding taxes related to an award will not become available for future awards.

ITEM 4 APPROVAL OF 2013 EQUITY AND INCENTIVE PLAN

ADJUSTMENTS

In the event of certain corporate transactions involving our common stock, such as a stock dividend, stock split, combination or exchange of shares, merger, consolidation, reclassification, reorganization, repurchase, distribution of assets (other than normal cash dividends), or other corporate transaction or event affecting our shares or their pric