Zoetis Inc.
Form DEF 14A
March 20, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

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

Check the appropriate box:

¨ Preliminary Proxy Statement

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

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to § 240.14a-12

Zoetis Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.

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

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

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

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

(4) Proposed maximum aggregate value of transaction:

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¨ Fee paid previously with preliminary materials.

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

(1) Amount previously paid:

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

(3) Filing Party:

(4) Date Filed:

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NOTICE OF

ANNUAL MEETING

AND

PROXY STATEMENT

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100 Campus Drive

Florham Park, NJ 07932

NOTICE OF 2015 ANNUAL MEETING OF SHAREHOLDERS

MAY 1, 2015 AT 10:00 A.M.

HILTON SHORT HILLS

41 JOHN F. KENNEDY PARKWAY SHORT HILLS, NEW JERSEY 07078

To the shareholders of Zoetis Inc.:

Notice is hereby given that the 2015 Annual Meeting of Shareholders of Zoetis Inc. (the Annual Meeting) will be held on Friday, May 1, 2015, at 10:00 a.m. Eastern Time at the address shown above.

ITEMS OF BUSINESS

The items of business at the Annual Meeting are 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 II Directors until the 2018 Annual Meeting of Shareholders and until their respective successors are duly elected and qualified, or until their earlier death, resignation or removal;

2. An advisory vote to approve the company s executive compensation;

3. Ratification of the selection of KPMG LLP as the company s independent registered public accounting firm for the fiscal year ending December 31, 2015; and

4. Transaction of such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

RECORD DATE

Only shareholders of record as of the close of business on the record date, March 6, 2015, are entitled to receive notice of, and to vote at, the Annual Meeting and any adjournment or postponement thereof.

MAILING

This proxy statement and the accompanying proxy card are being mailed on or about March 20, 2015, in connection with the solicitation of proxies on behalf of our Board of Directors.

PROXY VOTING

By mail By telephone By Internet

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

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

Morrow & Co. LLC

470 West Avenue

Stamford, CT 06902

Call Collect: (203) 658-9400

Call Toll-Free: (855) 251-9340

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

Sincerely,

Heidi C. Chen

Executive Vice President,

General Counsel and Corporate Secretary

March 20, 2015

OTICE REGARDING PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MA

oxy Statement and Annual Report on Form 10-K for the year ended December 31, 2014, are available online at www.edocumen

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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 2014 Annual Report before you vote.

2014 PERFORMANCE HIGHLIGHTS

Over the course of 2014, our leadership team built on the commercial performance, innovative research and development and high quality supply chain that have been critical to our success, while continuing to develop and refine the infrastructure required to function effectively as an independent public company. We also clearly outlined our value proposition for shareholders and delivered on those priorities over the course of the year.

Listed below are some highlights of our 2014 operating performance:

Revenues. During 2014, total revenue grew 5% to $4.795 billion, reflecting an operational increase of 7%, excluding the impact of foreign exchange. We saw revenue growth across all four of our regional operating segments, with particularly strong growth in the U.S. and Canada / Latin America regions and with strong contributions from our U.S. livestock business. As part of our long-term value proposition, we continued to grow our revenue faster than the market. For the year ended December 31, 2014, our revenue grew 5.0%, while revenue in the industry grew 4.1%.

Adjusted Net Income. Reported net income for 2014 was $583 million, a 16% increase over 2013. Our adjusted net income[1] for 2014 was $790 million, reflecting an increase of 11% over 2013. Again, as part of our long-term value proposition, we continued to grow adjusted net income faster than revenue, demonstrating our focus on long-term profitable growth.

Earnings per share (EPS). Reported diluted EPS for 2014 was $1.16 per diluted share, an increase of 15% over 2013. Adjusted diluted EPS[1], which excludes purchase accounting adjustments, acquisition-related costs and certain significant items such as costs associated with becoming an independent public company, was $1.57 per diluted share, an increase of 11% over 2013.

Value-Added Investment Opportunities. In 2014, our Research & Development (R&D) team received approximately 180 product approvals for new medicines, vaccines and diagnostics. These R&D results support our diverse global portfolio through the continuous product innovations and the lifecycle development of more than 300 existing product lines, all to ensure our future revenue growth and market leadership.

Dividends and Capital Allocation. In December of 2013, our Board of Directors increased the quarterly common stock dividend by 11% to $0.072 per share for 2014. A total dividend of $0.288 per share was paid to shareholders in 2014. In December 2014, we increased our quarterly dividend by 15% to $0.083 per share for 2015 and initiated a $500 million stock repurchase plan. We continue to prioritize our capital allocation in ways that will add value to Zoetis through targeted business development activities and by returning excess capital to shareholders.

[1] *Adjusted net income and adjusted diluted EPS are non-GAAP financial measures. Our 2014 Annual Report on Form 10-K, filed with the SEC on February 27, 2015, contains a reconciliation of these non-GAAP financial measures to reported results under GAAP for 2014.*

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PROXY SUMMARY

EXECUTIVE COMPENSATION HIGHLIGHTS

The Compensation Committee of the Board of Directors of Zoetis Inc. (the Committee) took several actions in 2014 with regard to the company s compensation programs:

Perquisites. Effective in 2014, the Committee eliminated any perquisites provided to Zoetis executives, including all NEOs. This included the elimination of a financial planning perquisite that had previously been available to our NEOs as well as other members of the Zoetis Executive Team (the ZET).

Long-Term Performance Award. In 2014, the Committee approved a new performance award plan based on Total Shareholder Return (TSR) results, effective for long-term incentive grants in 2015. This will further support the alignment between shareholders and executives by strengthening the connection between growing shareholder value and executive rewards.

Stock Ownership Guidelines. To ensure that senior executives, including NEOs, have a meaningful direct ownership stake in the company and that the interests of senior executives are thereby further aligned with our shareholders, the Committee agreed to increase the level of stock ownership required under the stock ownership guidelines for those members of the ZET who had a stock ownership guideline of less than 3 times their base salary. With this action, all members of the ZET, including each of the NEOs, have a stock ownership guideline of at least 3 times their base salary. The CEO continues to have a stock ownership guideline of 5 times his base salary.

Claw-back Policy. The Committee implemented a claw-back policy to allow the company, under certain circumstances, to recover incentive payments paid to executives that were predicated upon the achievement of specified financial results that are the subject of a subsequent restatement, to ensure that executives do not retain performance-based awards that were based upon misstated results.

Treatment of Equity Upon Termination of Employment. The Committee changed a provision in our equity plan to make clear that an individual termination of employment unrelated to a reorganization, restructuring, site closure or a business transaction (e.g., sale of a business unit or site) would not result in accelerated vesting of stock options or restricted stock units.

Annual Incentive Plan Metrics. In 2014, the Committee added a cash metric[2] to our Annual Incentive Plan and changed the adjusted net income metric to adjusted diluted EPS. The change from adjusted net income to adjusted diluted EPS reflects the fact that Zoetis share count is now reliably determined, and the addition of the cash metric is intended to incentivize effective management of working capital and cash. The metrics and associated weights under our 2014 Annual Incentive Plan are revenue (40%), adjusted diluted EPS (40%), and cash (20%).

[2] *The cash metric is defined as our adjusted net income plus depreciation, amortization and stock-based compensation, minus capital expenditures and one-time cash costs (after taxes), plus or minus changes in accounts receivable, inventories and accounts payable, and excluding the impact of unusual or extraordinary items related to our separation from Pfizer.*

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ANNUAL MEETING

Time and Date	Friday, May 1, 2015, 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 6, 2015
Voting	Shareholders on the record date are entitled to one vote per share on each matter to be voted upon at the Annual Meeting.
Admission	We do not require tickets for admission to the meeting, but we do limit attendance to shareholders on the record date or their proxy holders. Please bring proof of your common share ownership, such as a current brokerage statement, and photo identification.

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PROXY SUMMARY

MEETING AGENDA ITEMS

ITEM 1 ELECTION OF DIRECTORS

You are being asked to elect 3 directors Sanjay Khosla, Willie M. Reed and William C. Steere, Jr. to hold office until the 2018 Annual Meeting of Shareholders and until their respective successors are duly elected and qualified, or until their earlier death, resignation or removal.

All directors attended at least 80% of the meetings of the Board and Board committees on which they served in 2014.

SUMMARY INFORMATION ABOUT OUR DIRECTOR NOMINEES AND CONTINUING DIRECTORS

Directors whose terms expire at the 2015 Annual Meeting and who are nominees for terms expiring at the 2018 Annual Meeting:

Name	Age	Director Since	Occupation and Experience	Independent	Board Committees Audit	Board Committees Comp	Board Committees Corp Gov
Sanjay Khosla	63	2013	Former EVP, Mondelēz International	Yes			
Willie M. Reed	60	2014	Dean of the College of Veterinary Medicine, Purdue University	Yes			
William C. Steere, Jr.	78	2013	Former Chairman Emeritus and CEO, Pfizer Inc.	Yes			

Directors whose terms expire at the 2016 Annual Meeting:

Name	Age	Director Since	Occupation and Experience	Independent	Board Committees Audit	Comp	Corp Gov
Juan Ramón Alaix	63	2012	CEO, Zoetis Inc.	No			
Frank A. D Amelio	57	2012	EVP of Business Operations and CFO, Pfizer Inc.	No			
William F. Doyle	52	2015	Member of Pershing Square Capital Management L.P.	Yes			
Michael B. McCallister (Board Chair)	62	2013	Former Chairman of the Board and CEO, Humana Inc.	Yes			

Directors whose terms expire at the 2017 Annual Meeting:

Name	Age	Director Since	Occupation and Experience	Independent	Board Committees Audit	Comp	Corp Gov
Gregory Norden	57	2013	Managing Director, G9 Capital Group LLC	Yes			
Louise M. Parent	64	2013	Former EVP and General Counsel, American Express Company	Yes			
Robert W. Scully	65	2013	Former member of Office of Chairman, Morgan Stanley	Yes			

Chair Member

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

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PROXY SUMMARY

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

You are being asked to approve, on an advisory basis, our executive officer compensation program as described in this proxy statement. We believe that our program 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 RATIFICATION OF APPOINTMENT OF KPMG LLP AS OUR AUDITORS FOR 2015

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

The fees paid to KPMG are detailed on page 61.

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

ITEM 3 RECOMMENDATION: OUR BOARD RECOMMENDS THAT YOU VOTE FOR THE RATIFICATION OF KPMG AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2015.

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INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

We are providing this proxy statement to you in connection with the solicitation of proxies by the Board of Directors of Zoetis Inc. for the 2015 Annual Meeting of Shareholders and for any adjournment or postponement of the meeting. We mailed our proxy materials on or about March 20, 2015, and filed our proxy materials on March 20, 2015.

ANNUAL MEETING INFORMATION

We are holding our 2015 Annual Meeting of Shareholders at 10:00 a.m. Eastern Time on Friday, May 1, 2015, at the Hilton Short Hills in Short Hills, New Jersey, and we invite you to attend in person.

We do not require tickets for admission to the meeting, but we do limit attendance to shareholders of record on the record date, March 6, 2015, 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. Since seating may be limited, admission to the Annual Meeting will be on a first-come, first-served basis.

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

We have arranged for a live audio webcast and a replay of our Annual Meeting to be accessible to the general public at the following website: https://event.webcasts.com/starthere.jsp?ei=1056350. (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 1, 2015.

Our proxy statement and 2014 Annual Report are available online at www.edocumentview.com/ZTS.

We are furnishing proxy materials to our shareholders primarily via Notice and Access delivery. On or about March 20, 2015, 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 2014 Annual Report and vote online.

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

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INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

HOW TO VOTE

We encourage you to vote as soon as possible, even if you plan to attend the meeting in person. Your vote is important. You may vote shares that you owned as of the close of business on March 6, 2015, which is the record date for the meeting.

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

By telephone	By calling 1 (800) 652-8683 (toll free) in the United States or Canada	24 hours a day until 4:00 a.m., Eastern Daylight Time, on May 1, 2015
By Internet	Online at www.envisionreports.com/ZTS	24 hours a day until 4:00 a.m., Eastern Daylight Time, on May 1, 2015
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.

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

VOTING AT THE MEETING

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

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INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

ITEMS TO BE VOTED ON AND BOARD RECOMMENDATION

Item	Board Recommendation
Item 1 Election of 3 Directors	FOR
Item 2 Advisory Vote to Approve Executive Compensation (Say on Pay)	FOR
Item 3 Ratification of KPMG as Auditor for 2015	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, 500,664,819 shares of our common stock were outstanding and entitled to vote. Each share is entitled to one vote on each matter to be voted upon at the Annual Meeting. Abstentions and broker non-votes will be counted as present for the purpose of determining whether a quorum is present for the meeting.

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

Item	Vote Required	Effect of Abstentions and Broker Non-Votes*
Election of Directors	Majority of the votes cast (i.e., more votes For than Against)	Not considered as votes cast and have no effect on the outcome
Advisory Vote to Approve Executive Compensation (Say on Pay)	Majority of the votes cast	Not considered as votes cast and have no effect on the outcome
Ratification of KPMG as Auditor for 2015	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 3 Ratification of KPMG as Auditor for 2015.

EFFECT OF NOT CASTING YOUR VOTE

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

If you are a registered shareholder and you do not cast your vote, no votes will be cast on your behalf on any of the Items at the Annual Meeting. If you sign and return a proxy card without specific voting instructions, or if you vote by telephone or via the Internet without indicating how you want to vote, your shares will be voted in accordance with the Board s voting recommendations stated above.

If you hold your shares in street name, you will receive a voting instruction form that lets you instruct your bank, broker, or other nominee how to vote your shares. Under New York Stock Exchange (NYSE) rules, if you do not provide voting instructions to your broker, the broker is permitted to exercise discretionary voting authority only on routine matters. The only routine item on this year s Annual Meeting agenda is Item 3 Ratification of KPMG as Auditor for 2015. If you hold your shares in street name, and you wish to have your shares voted on all items in this proxy statement, you must complete and return your voting instruction form. **If you do not return your voting instruction form, your shares will not be voted on any Items, except that your broker may vote in its discretion on Item 3.**

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INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

COST OF PROXY SOLICITATION

We will pay the cost of preparing, assembling, printing, mailing, and distributing these proxy materials. We will also bear the cost of soliciting votes on behalf of the Board of Directors. Zoetis will provide copies of these proxy materials to banks, brokerage houses, fiduciaries, and custodians holding in their names shares of our common stock beneficially owned by others so that they may forward these proxy materials to the beneficial owners. Our directors, officers, or employees may solicit proxies or votes for us in person, or by mail, telephone, or electronic communication. They will not receive any additional compensation for these solicitation activities. We will enlist the help of banks, brokers, and other nominee holders in soliciting proxies for the Annual Meeting from their customers who are beneficial owners of our stock and will reimburse those firms for related out-of-pocket expenses. We have retained Morrow & Co. LLC, a professional proxy solicitation firm, to help us solicit proxies. Zoetis expects that it will pay Morrow & Co. its customary fees, estimated to be approximately $10,000 in the aggregate, plus reasonable out-of-pocket expenses incurred in the process of soliciting proxies. Zoetis has also agreed to indemnify Morrow & Co. against certain liabilities relating to or arising out of their engagement.

AVAILABILITY OF VOTING RESULTS

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

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CORPORATE GOVERNANCE AT ZOETIS

INTRODUCTION

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

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

KEY CORPORATE GOVERNANCE FEATURES

Board Independence	8 out of 10 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 Our Corporate Governance Committee has been composed entirely of independent directors since June 24, 2014
Executive Sessions	Our directors hold regularly scheduled executive sessions, at which directors can discuss matters without management present Our Board holds an executive session including only independent directors at least once a year

	Our Board Chair, who is an independent director, presides over all executive sessions of the Board
Board Oversight of Risk	Our Board has ultimate oversight over our risk assessment and risk management Our Audit Committee oversees our Enterprise Risk Management process, including the risk areas defined under its charter and the company s internal controls over financial reporting Our Compensation Committee oversees the management of risks relating to our compensation plans and arrangements Our Corporate Governance Committee oversees risk associated with potential conflicts of interest, as well as the effectiveness of our Corporate Governance Principles and the Board s compliance with our Code of Business Conduct and Ethics for Members of the Board Our Board committees regularly report to the full Board regarding their areas of responsibility and oversight Members of our senior management team regularly report to the full Board on areas of material risk to the company

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CORPORATE GOVERNANCE AT ZOETIS

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 $400,000 (including share equivalent units), to be acquired within five years of joining our Board
Open Lines of Communication	Our Board promotes open and frank discussions with senior management Our directors have access to all members of management and other employees and are authorized to hire outside consultants or experts at the company s expense
Self-Evaluation	Our Board and each of its committees conducts an annual self-evaluation

CORPORATE GOVERNANCE PRINCIPLES AND PRACTICES

DIRECTOR INDEPENDENCE

From January 1, 2014, through March 3, 2014, our Board of Directors consisted of eight directors, six of whom were independent under NYSE listing standards and two 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, Sanjay Khosla, Gregory Norden, Louise M. Parent, Robert W. Scully and William C. Steere, Jr. The non-independent directors during this period were Juan Ramón Alaix (our CEO) and Frank A. D Amelio.

Willie M. Reed and William F. Doyle were elected to our Board on March 4, 2014, and February 3, 2015, respectively. Dr. Reed and Mr. Doyle 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 February 27, 2015, our Board determined that the following directors are independent under NYSE listing standards and our Director Qualification Standards: Ms. Parent, Dr. Reed and Messrs. Doyle, Khosla, McCallister, Norden, Scully, and Steere.

BOARD LEADERSHIP STRUCTURE

Our Corporate Governance Principles, which can be found on our website at www.zoetis.com under About Us Corporate Governance, provide the Board flexibility in determining its leadership structure. Currently, Juan Ramón Alaix serves as our CEO and Michael B. McCallister serves as Chair of our Board. The Board believes that this leadership structure, which separates the CEO and the Board Chair roles, is optimal at this time because it allows Mr. Alaix to focus on operating and managing our company, while Mr. McCallister can focus on the leadership of the

Board. The Board Chair presides 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 CEO and Board Chair is in the company s best interest based on circumstances existing at the time.

BOARD MEETINGS AND COMMITTEES

Director Attendance

During 2014, our Board met 13 times. Each of our directors attended at least 80% of the meetings of the Board and Board committees on which he or she served during 2014.

All Board members are expected to attend our Annual Meeting unless an emergency prevents them from doing so. All of our directors attended our 2014 Annual Meeting.

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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 the authority to hire outside advisors at the company s expense.

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

		Committee		
Name	**Independent**	**Audit**	**Compensation**	**Governance**
Juan Ramón Alaix	no			
Frank A. D Amelio	no			
William F. Doyle	yes			
Sanjay Khosla	yes			
Michael B. McCallister	yes			
Gregory Norden	yes			
Louise M. Parent	yes			
William M. Reed	yes			

Robert W. Scully	yes			
William C. Steere, Jr.	yes			
Number of Meetings in 2014		15	9	6

Chair **Member**

Independence of Committee Members

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

During the period from January 2014 until the end of the NYSE transition period for controlled companies, which occurred in June 2014, our Board committees had the following members:

Audit: Gregory Norden (Chair), Louise M. Parent (joined the Committee on March 26, 2014), Robert W. Scully and William C. Steere, Jr., all of whom were independent.

Compensation: Robert W. Scully (Chair), Sanjay Khosla, Louise M. Parent and Gregory Norden, all of whom were independent.

Corporate Governance: Michael B. McCallister (Chair), Frank A. D Amelio, Willie M. Reed (joined the Committee on March 3, 2014) and William C. Steere, Jr. Messrs. McCallister and Steere and Dr. Reed were independent; Mr. D Amelio was not independent because he was an executive officer of Pfizer.

During this period the above committee membership complied with NYSE requirements for controlled companies.

Compensation Committee Interlocks and Insider Participation

The current members of the Compensation Committee are Robert W. Scully (Chair), Sanjay Khosla, Louise M. Parent and Gregory Norden. All of the current members are independent under NYSE listing standards. None of the current members is a former or current officer or employee of Zoetis or any of its subsidiaries. None of the current members has any relationship that is required to be disclosed under this caption under the rules of the SEC.

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CORPORATE GOVERNANCE AT ZOETIS

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 oversees our Enterprise Risk Management process, internal controls and financial reporting. Until June 24, 2014, which marked the end of the NYSE transition period for controlled companies, the Audit Committee was 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 63.

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 38.

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. On June 24, 2014, which marked the end of the controlled company transition period, the committee assumed 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 related thereto. The Audit Committee oversees the management of risks related to financial reporting and monitors the annual internal audit risk assessment, which identifies and prioritizes risks related to the company s internal controls in order to develop internal audit plans for future fiscal years. During the company s transition period as a former controlled company, the Audit Committee also oversaw risks associated with potential conflicts of interest. The Corporate Governance Committee assumed 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 such resignation. The Board will publicly disclose its decision-making process and the reasons for its decision.

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

DIRECTOR NOMINATIONS

The Corporate Governance Committee considers and recommends the annual slate of director nominees for approval by the full Board. 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; record of exercising sound judgment; animal health or veterinary expertise; prior government service; and policy-making experience involving issues affecting business, government, education, and technology, as well as other areas relevant to the company s global business. The Corporate Governance Committee is responsible for considering the appropriate size and needs of the Board, and may develop and recommend to the Board additional criteria for Board membership. The company does not have a formal policy with respect to diversity, but diversity of experience among the various Board members is an important factor in the selection of directors.

The Corporate Governance Committee will consider director candidates recommended by shareholders. Recommendations should be sent to the Chair of the Corporate Governance Committee (in the manner described below) by November 20, 2015, to be considered for the following annual meeting. The Corporate Governance Committee evaluates candidates recommended by shareholders under the same criteria it uses for other director candidates. Shareholders may also submit nominees for election at an annual or special meeting of shareholders by following the procedures set forth in our By-laws, which are summarized on page 77.

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

COMMUNICATIONS WITH THE BOARD OF DIRECTORS

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

Stakeholders and other interested parties may communicate with the Chair of our Board or the Chairs of our Audit, Compensation, or Corporate Governance Committees by sending an email to BoardChair@zoetis.com, AuditChair@zoetis.com, CompChair@zoetis.com, or CorpGovChair@zoetis.com, as appropriate. Stakeholders and other interested parties may also write to any of our outside directors, including the Board and committee Chairs, by directing the communication to Katherine H. Walden, Chief Governance Counsel and Assistant Secretary, Zoetis Inc., 100 Campus Drive, Florham Park, NJ 07932. Communications are distributed to the Board, or to any individual director as appropriate, depending on the facts and circumstances outlined in the communication, but excluding spam, junk mail and mass mailings, product complaints, product inquiries, new product suggestions, job inquiries, surveys, and business solicitations or advertisements. Material that is unduly hostile, threatening, illegal or similarly unsuitable will also be excluded. However, any communication that is filtered out under our policy will be made available to any non-management director upon his or her request.

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CORPORATE GOVERNANCE AT ZOETIS

We believe that it is important for directors to directly hear concerns expressed by stakeholders and other interested parties. It is our policy that all Board members are expected to attend the Annual Meeting. All Board members attended our 2014 Annual Meeting of Shareholders.

CODE OF ETHICS

All of our employees, including our CEO, Chief Financial Officer and Controller, are required to abide by our policies on business conduct to ensure that our business is conducted in a consistently legal and ethical manner. A copy of the Code of Conduct can be found on our website www.zoetis.com under About Us Corporate Compliance. We have also adopted a separate Code of Business Conduct and Ethics for members of our Board of Directors, a copy of which can be found on our website www.zoetis.com under About Us Corporate Governance. We will disclose any future amendments to, or waivers from, provisions of these Codes affecting our directors or executive officers on our website as required under applicable SEC and NYSE rules.

COMPENSATION OF DIRECTORS FOR 2014

We provide competitive compensation to our non-employee directors that enables us to attract and retain high quality directors, provides them with compensation at a level that is consistent with our compensation objectives and encourages their ownership of our stock to further align their interests with those of our shareholders. Our directors who are our full-time employees receive no additional compensation for service as a member of our Board of Directors. For 2014, our non-employee directors compensation consisted of the following:

- an annual cash retainer for each non-employee director of $100,000;
- an annual cash retainer for the Chair of the Board of $150,000;
- an annual cash retainer for the Chair of each committee of the Board of $25,000; and
- an equity retainer to each non-employee director upon his or her first election as such and annually thereafter with a value of $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 2014 we granted equity retainers in the form of deferred stock units, valued at $140,000 in the aggregate for each director on the date of grant, as follows:

- To each of Ms. Parent, Dr. Reed and Messrs. D Amelio, Khosla, Norden, McCallister, Scully and Steere, 4,532 deferred stock units valued at $30.89 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 four times their annual cash retainer of $100,000. For purposes of satisfying these requirements, (a) a director s holdings of the company s stock shall include, in addition to shares held outright, units granted to the director as compensation for Board service and shares or units held under a deferral or similar plan, and (b) each such unit shall have the same value as a share of the company s common stock. Each non-employee director has five years from (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.

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DIRECTOR COMPENSATION DECISIONS FOR 2015

Effective January 1, 2015, our non-employee directors compensation will consist of the following: (i) an annual cash retainer for each non-employee director of $100,000; (ii) an annual cash retainer for the Chair of the Board of $150,000; (iii) an annual cash retainer for the Chair of each committee of the Board of $25,000; and (iv) each non-employee director will receive an equity retainer upon his or her first election as such and annually thereafter with a value of $170,000 on the date of grant, based upon the closing price of shares of Zoetis common stock on that date. The equity retainer will be in the form of restricted stock units which will be subject to three-year cliff vesting, remaining unvested until the third anniversary of the date of grant.

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

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CORPORATE GOVERNANCE AT ZOETIS

The following table summarizes the total compensation earned in 2014 by each of our directors who served as a non-employee director during 2014.

Name	Fees Earned or Paid in Cash($)[1]	Stock Awards ($)[2]	Option Awards($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings($)	All Other Compensation ($)	Total ($)
Frank A. D Amelio[3]	$ 100,000	$ 140,000					$ 240,000
Sanjay Khosla [4]	$ 100,000	$ 140,000					$ 240,000
Michael B. McCallister[5]	$ 275,000	$ 140,000					$ 415,000
Gregory Norden [6]	$ 125,000	$ 140,000					$ 265,000
Louise M. Parent [7]	$ 100,000	$ 140,000					$ 240,000
Willie M. Reed [8]	$ 83,333	$ 140,000					$ 223,333
Robert W. Scully [9]	$ 125,000	$ 140,000					$ 265,000
William C. Steere, Jr.[10]	$ 100,000	$ 140,000					$ 240,000

(1) Non-employee directors may defer the receipt of up to 100% of their annual cash retainer into a notional stock unit account under the Zoetis Non-Employee Director Deferred Compensation Plan. Any deferrals under this plan are credited as phantom stock units in the Zoetis stock fund, with each phantom unit representing one share of Zoetis common stock. Phantom units receive dividend equivalent rights but do not receive voting rights. Phantom stock units are settled in cash following the director s separation from service and may be transferred into an alternate investment fund at any time, subject to the limitations described in the Zoetis Non-Employee Director Deferred Compensation Plan. During 2014, two directors, Ms. Parent and Mr. Steere, deferred all of their cash retainers into their respective Non-Employee Director Deferred Compensation Plan accounts.

(2) The amounts in the Stock Awards column reflect the aggregate grant date value of deferred stock units granted to directors in 2014 calculated in accordance with FASB ASC Topic 718. The grant date fair value of each deferred stock unit granted to the non-employee directors on March 4, 2014 was $30.89. Deferred stock units accrue dividend equivalents, the value of which is factored into the grant date fair value. Deferred stock units are payable in Zoetis common stock upon the director s separation from service with the company. At the end of 2014, the aggregate number of deferred stock units (including dividend equivalents) held by each current non-employee director was as follows: Mr. D Amelio, 9,273; Mr. Khosla, 9,273; Mr. McCallister, 10,024; Mr. Norden, 10,024; Ms. Parent, 9,273; Dr. Reed, 4,560; Mr. Scully, 9,273; and Mr. Steere, 10,024.

(3) Represents (a) a cash retainer of $100,000 for service to the Board as a non-employee director during 2014 and (b) an equity retainer of 4,532 deferred stock units granted on March 4, 2014.

(4) Represents (a) a cash retainer of $100,000 for service to the Board as a non-employee director during 2014 and (b) an equity retainer of 4,532 deferred stock units granted on March 4, 2014.

(5) Represents (a) a cash retainer of $100,000 for service to the Board as a non-employee director during 2014, (b) a cash retainer of $150,000 for service as Chair of the Board during 2014, (c) a cash retainer of $25,000 for service as Chair of the Corporate Governance Committee during 2014 and (d) an equity retainer of 4,532 deferred stock units granted on March 4, 2014.

(6) Represents (a) a cash retainer of $100,000 for service to the Board as a non-employee director during 2014, (b) a cash retainer of $25,000 for service as Chair of the Audit Committee during 2014 and (c) an equity retainer of 4,532 deferred stock units granted on March 4, 2014.

(7) Represents (a) a cash retainer of $100,000 for service to the Board as a non-employee director during 2014, and (b) an equity retainer of 4,532 deferred stock units granted on March 4, 2014.

(8) Represents (a) a cash retainer of $83,333 for service to the Board from March 4, 2014, through December 31, 2014, and (b) an equity retainer of 4,532 deferred stock units granted on March 4, 2014.

(9) Represents (a) an annual cash retainer of $100,000 for service to the Board as a non-employee director during 2014, (b) a cash retainer of $25,000 for service as Chair of the Compensation Committee during 2014 and (c) an equity retainer of 4,532 deferred stock units granted on March 4, 2014.

(10) Represents (a) a cash retainer of $100,000 for service to the Board as a non-employee director during 2014 and (b) an equity retainer of 4,532 deferred stock units granted on March 4, 2014.

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EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

INTRODUCTION

This Compensation Discussion and Analysis (CD&A) describes our executive compensation philosophy and programs, and the decisions made by the Compensation Committee of the Board of Directors of Zoetis Inc. (the Committee) during 2014.

Zoetis executive compensation program is intended to incent and reward our leadership for increasing shareholder value and to 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 shown in the compensation tables below, are referred to as our named executive officers (NEOs). In 2014, our NEOs were:

Executive	Title
Juan Ramón Alaix	Chief Executive Officer (CEO)
Paul S. Herendeen	Executive Vice President and Chief Financial Officer (CFO) since September 2, 2014
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
Glenn C. David	Senior Vice President Finance Operations and Acting CFO from April 22, 2014 until September 1, 2014
Richard A. Passov	Executive Vice President and CFO until April 21, 2014

EXECUTIVE SUMMARY

We set a high performance bar and in 2014 we achieved very good actual performance against our goals, including impressive operating results, met with stock price and Total Shareholder Return outperformance vs. the Standard & Poor s 500 Index.

The Committee s recommendation regarding the CEO s annual incentive compensation payout reflects the company s performance in 2014, with the payout above target. Our CEO s target total compensation was moved closer to, but still remains somewhat below, the median compensation of our peer companies.

In establishing our executive compensation governance policies, we seek to align with best practices, and in 2014 we strengthened them further by eliminating perquisites and raising stock ownership guidelines.

In 2014, the Committee approved a new performance share plan based on Total Shareholder Return (TSR) results measured over a three-year performance period.

At our 2014 Annual Shareholder Meeting, 98.7% of the votes cast supported our say on pay proposal.

2014 BUSINESS PERFORMANCE

Over the course of 2014, our leadership team built on the commercial performance, innovative research and development and high quality supply chain that have been critical to our success, while continuing to develop and refine the infrastructure required to function effectively as an independent public company. We also clearly outlined our value proposition for shareholders and delivered on those priorities over the course of the year.

Listed below are some highlights of our 2014 operating performance:

Revenues. During 2014, total revenue grew 5% to $4.795 billion, reflecting an operational increase of 7%, excluding the impact of foreign exchange. We saw revenue growth across all four of our regional operating

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EXECUTIVE COMPENSATION

segments, with particularly strong growth in the U.S. and Canada / Latin America regions and with strong contributions from our U.S. livestock business. As part of our long-term value proposition, we continued to grow our revenue faster than the market. For the year ended December 31, 2014, our revenue grew 5.0%, while revenue in the industry grew 4.1%.

Adjusted Net Income. Reported net income for 2014 was $583 million, a 16% increase over 2013. Our adjusted net income[3] for 2014 was $790 million, reflecting an increase of 11% over 2013. Again, as part of our long-term value proposition, we continued to grow adjusted net income faster than revenue, demonstrating our focus on long-term profitable growth.

Earnings per share (EPS). Reported diluted EPS for 2014 was $1.16 per diluted share, an increase of 15% over 2013. Adjusted diluted EPS[3], which excludes purchase accounting adjustments, acquisition-related costs and certain significant items such as costs associated with becoming an independent public company, was $1.57 per diluted share, an increase of 11% over 2013.

Value-Added Investment Opportunities. In 2014, our Research & Development (R&D) team received approximately 180 product approvals for new medicines, vaccines and diagnostics. These R&D results support our diverse global portfolio through the continuous product innovations and the lifecycle development of more than 300 existing product lines, all to ensure our future revenue growth and market leadership.

Dividends and Capital Allocation. In December of 2013, our Board of Directors increased the quarterly common stock dividend by 11% to $0.072 per share for 2014. A total dividend of $0.288 per share was paid to shareholders in 2014. In December 2014, we increased our quarterly dividend by 15% to $0.083 per share for 2015 and initiated a $500 million stock repurchase plan. We continue to prioritize our capital allocation in ways that will add value to Zoetis through targeted business development activities and by returning excess capital to shareholders.

2014 COMPENSATION HIGHLIGHTS

Committee Decisions. The Committee, a group of four independent directors, took several actions in 2014 with regard to the company s compensation programs:

Perquisites. Effective in 2014, the Committee eliminated any perquisites provided to Zoetis executives, including all NEOs. This included the elimination of a financial planning perquisite that had previously been available to our NEOs as well as other members of the Zoetis Executive Team (the ZET).

Long-Term Performance Award. In 2014, the Committee approved a new performance award plan based on TSR results, effective for long-term incentive grants in 2015. This will further support the alignment between shareholders and executives by strengthening the connection between growing shareholder value and executive rewards.

Stock Ownership Guidelines. To ensure that senior executives, including NEOs, have a meaningful direct ownership stake in the company and that the interests of senior executives are thereby further aligned with our shareholders, the Committee agreed to increase the level of stock ownership required under the stock ownership guidelines for those members of the ZET who had a stock ownership guideline of less than 3 times their base salary. With this action, all members of the ZET, including each of the NEOs, have a stock ownership guideline of at least 3 times their base salary. The CEO continues to have a stock ownership guideline of 5 times his base salary.

Claw-back Policy. The Committee implemented a claw-back policy to allow the company, under certain circumstances, to recover incentive payments paid to executives that were predicated upon the achievement of

[3] *Adjusted net income and adjusted diluted EPS are non-GAAP financial measures. Our 2014 Annual Report on Form 10-K, filed with the SEC on February 27, 2015, contains a reconciliation of these non-GAAP financial measures to reported results under GAAP for 2014.*

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specified financial results that are the subject of a subsequent restatement, to ensure that executives do not retain performance-based awards that were based upon misstated results.

Treatment of Equity Upon Termination of Employment. The Committee changed a provision in the Zoetis Inc. 2013 Equity and Incentive Plan (the Equity Plan), to make clear that an individual termination of employment unrelated to a reorganization, restructuring, site closure or a business transaction (e.g., sale of a business unit or site) would not result in accelerated vesting of stock options or restricted stock units (RSUs).

Annual Incentive Plan Metrics. In 2014, the Committee added a cash metric[4] to our Annual Incentive Plan (AIP) and changed the adjusted net income metric to adjusted diluted EPS. The change from adjusted net income to adjusted diluted EPS reflects the fact that Zoetis share count is now reliably determined, and the addition of the cash metric is intended to incentivize effective management of working capital and cash. The metrics and associated weights under our 2014 AIP are revenue (40%), adjusted diluted EPS (40%), and cash (20%).

CEO COMPENSATION: AT A GLANCE

Components of CEO Target Total Direct Compensation

Mr. Alaix Target Total Direct Compensation is comprised of base salary, annual short-term incentive compensation and long-term incentive compensation.

Base Salary and Annual Incentive Plan

Mr. Alaix base salary for the first three months of 2014 was $900,000 and his annual target incentive opportunity for this three-month period was 110% of his base salary, providing for an annualized target total cash compensation of $1,890,000 for this period.

On March 4, 2014, the Committee recommended increasing Mr. Alaix base salary to $1,100,000, and his annual target incentive opportunity to 115% of his base salary, providing for annualized target total cash compensation of $2,365,000. In making this decision, the Committee considered several factors, including Mr. Alaix compensation relative to the CEOs of our peer companies, the leadership he provided during Zoetis transition to an independent public company, and the company s strong business results in 2013.

Upon the Committee s recommendation, Zoetis Board of Directors approved these increases effective April 1, 2014. Because these increases were not applied retroactively, Mr. Alaix full-year target total cash compensation for 2014 was $2,246,250, including base salary of $1,050,000 and an annual incentive target of $1,196,250, or 114% of base salary earned in 2014.

In February 2015, the Committee recommended, and the Board of Directors approved, an annual incentive payment for 2014 of $1,375,700 (115% of the full-year annual incentive target) for Mr. Alaix based on Zoetis 2014 financial results and his individual performance.

Long-Term Incentive

In March 2014, Mr. Alaix received a long-term equity incentive grant with a total grant date fair value of $5.0 million, consisting of 50% stock options and 50% RSUs. These awards (312,109 stock options and 80,932 RSUs) are subject to three-year cliff vesting and vest 100% on the third anniversary of the date of grant (i.e., they remain unvested until March 4, 2017), generally subject to Mr. Alaix continued employment through the vesting date. Vesting of awards may be accelerated in part or in full, upon a termination of Mr. Alaix employment as a result of death, disability, retirement or a change in control, as provided in the Equity Plan.

[4] *The cash metric is defined as our adjusted net income plus depreciation, amortization and stock-based compensation, minus capital expenditures and one-time cash costs (after taxes), plus or minus changes in accounts receivable, inventories and accounts payable, and excluding the impact of unusual or extraordinary items related to our separation from Pfizer.*

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EXECUTIVE COMPENSATION

Target Total Direct Compensation (TTDC)

The chart below shows the TTDC for Mr. Alaix for the first three months of 2014, the last nine months of 2014 (which includes the April 1, 2014, increase to Mr. Alaix base salary and target annual incentive opportunity described above), and his full year 2014 TTDC (which reflects the pro-rata combination of Mr. Alaix pre-April 1, 2014 and post-April 1, 2014 TTDC).

OUR COMPENSATION PROGRAM

Compensation Philosophy

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

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

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

- Provide competitive compensation opportunities over the short-term (base salary, annual incentives) and long-term (equity incentive grants) that are intended to retain our experienced management team and enable us to attract new qualified executives when needed, while remaining aligned with the compensation practices of our peer group; and

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

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Basic Principles of Our Executive Compensation Program

We do:	We do not:
Emphasize pay for performance our executive compensation program emphasizes variable pay over fixed pay, with two-thirds or more of our executives target compensation tied to our financial results and stock performance.	Maintain employment agreements for any of our executives, including our NEOs.
Maintain a three-year cliff vesting schedule for long-term incentive grants.	Allow repricing of stock options without shareholder approval.
Require executives to comply with market-competitive stock ownership guidelines.	Provide tax gross ups to any of our executives, including our NEOs (except for certain relocation expenses, consistent with our relocation policy and available on the same basis to all U.S.-based employees).
Require executives to hold net shares upon the exercise of stock options or vesting of stock until they achieve the relevant stock ownership guideline.	Provide any perquisites of employment to any of our employees, including our NEOs.
Maintain anti-hedging and anti-pledging policies prohibiting our directors and employees, including our NEOs, from hedging or collateralizing their ownership positions in our stock.	Provide for single trigger equity award vesting or other single trigger payments or benefits following a change in control.
Maintain a claw-back policy that allows us to recover incentive payments based on financial results that are subsequently restated.	

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

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

Use separate and independent compensation consultants for management and the Committee when designing and evaluating our executive compensation policies and programs.

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

Elements of 2014 Compensation: At a Glance

Element	Description and Purpose	Comments
Cash Compensation		
Base Salary	Fixed cash compensation that reflects fulfillment of day-to-day responsibilities, skills and experience. Addresses employee cash-flow needs and retention objectives.	Reviewed annually in light of changes in market practice, performance, changes in responsibility and internal equity.
Annual Incentive Plan	Annual cash incentive that rewards achievement of our financial and strategic/operational goals, as well as the individual performance of the NEO and, along with base salary, provides a market-competitive annual cash compensation opportunity. For 2014, the AIP pool was funded based on Zoetis performance against revenue,	Amount of payout is based on the extent of achievement of company and individual goals set and approved by the Committee in the first quarter of each year. The Committee may exercise discretion in considering qualitative performance.

adjusted diluted EPS and cash metric.

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Element	Description and Purpose	Comments
Long-Term Incentives		
Stock Options	Equity awards that provide value based on growth in our stock price. Intended to focus NEOs on increasing the company s stock price. Vesting schedules and terms of awards reward NEOs for increases in the stock price over a three- to ten-year period.	In 2014, stock options represented 50% of each NEO s long-term incentive opportunity based on the grant date fair value of the awards. Exercise price equals 100% of the stock price on the date of grant. Ten-year term. Three-year cliff vesting: vests 100% on the third anniversary of the date of grant, subject to the NEO s continued employment through such date (with certain early termination exceptions, such as retirement, death, change in control, etc., that are aligned with market practice).
Restricted Stock Units	Equity awards that give the recipient the right to receive shares of Zoetis stock on a specified future date, subject to vesting. Aligns NEO and shareholder interests, as NEOs will realize a higher value from RSUs from an increasing stock price.	In 2014, RSUs represented 50% of each NEO s long-term incentive opportunity based on the grant date fair value of the awards. Three-year cliff vesting: vests 100% on the third anniversary of the date of grant, subject to the NEO s continued employment through such date (with certain early termination provisions, such as retirement, death, change in control, etc., that are aligned with market practice). Paid out in shares of our company common stock upon vesting.

		Dividend equivalents are accrued over the vesting period and paid when and if the RSUs vest (and subject to the same vesting conditions as the underlying RSUs).
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 and other 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, within Internal Revenue Code limitations and based on company performance.	We provide a matching contribution of 100% on the first 5% of an employee s total cash pay contributed to the Savings Plan, up to Internal Revenue Code limitations. For 2014, we made a profit sharing contribution of 4% of total cash pay (within Internal Revenue Code limitations) to all eligible Savings Plan participants.
Supplemental Savings Plan	A non-qualified deferred compensation plan that makes up for amounts that would otherwise have been contributed to the Savings Plan (by the employee or as matching or profit sharing contributions by the company) but could not be contributed due to 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 that is over the Internal Revenue Code 401(a)17 limit and that is not matched by the company.	Matching and profit sharing contributions are notionally credited as company stock.

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Element	Description and Purpose	Comments
Severance		
Executive Severance Plan	Severance benefits provided to NEOs and certain other executives upon an involuntary termination of employment without cause, (whether before or after a change in control), or upon or a good reason termination after a change in control.	Facilitates recruitment and retention of NEOs and certain other executives by providing income security in the event of involuntary job loss. Provides the CEO with ¡ 1.5 times base salary and target annual incentive upon an involuntary termination of employment without cause (prior to a change in control) ¡ 2.5 times base salary and target annual incentive upon an involuntary termination without cause or a good reason termination after a change in control. Provides the NEOs other than the CEO with ¡ 1 times base salary and target annual incentive upon an involuntary termination of employment without cause (prior to a change in control) ¡ 2 times base salary and target annual incentive upon an involuntary termination without cause or a good reason termination after a change in control.

Say on Pay Consideration

At our 2014 Annual Shareholder Meeting we held a shareholder advisory vote on the compensation of our NEOs in 2013 (say on pay). Our shareholders overwhelmingly approved the compensation of our NEOs, with 98.7% of the votes cast in favor of our say on pay resolution. We believe that the outcome of our say on pay vote signals our shareholders support of our compensation approach, specifically our efforts to retain and motivate our NEOs and to align pay with performance and the long-term interests of our shareholders. The Committee reviewed and considered these voting results, among other factors described in this CD&A, in evaluating the company s executive compensation program.

THE COMMITTEE S PROCESS

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

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

The Committee has established the following process for evaluating the performance of the CEO, the other NEOs, and the other members of the ZET. In the beginning of the year, the Committee meets and approves strategic, financial and operational objectives for the CEO, the other NEOs, and the other ZET members for the upcoming year, and it also evaluates their performance for the previous year.

Our CEO, Mr. Alaix, does not play any role in the Committee s determination of his own compensation. For the other NEOs and ZET members, Mr. Alaix presents the Committee with recommendations for each element of compensation.

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He bases these recommendations upon his assessment of each individual s performance, the performance of their relevant functions, benchmark information and retention risk. The Committee then reviews the CEO s recommendations, makes appropriate adjustments and approves compensation changes at its discretion.

Role of the Compensation Consultants

The Committee retained Towers Watson to serve as its executive compensation consultant in 2014. While Towers Watson may make recommendations on the form and amount of compensation, the Committee continues to make all decisions regarding the compensation of our NEOs, subject to the review of the other independent directors. In 2014, Towers Watson served the Committee in a variety of activities, including:

- Reviewing and advising the Committee on evolving trends in executive compensation and as to materials presented by management to the Committee;
- Attending all 2014 Committee meetings and communicating with the Committee Chair between meetings as necessary;
- Providing the Committee with advice, pay-for-performance analytics and benchmarking norms related to compensation of the CEO, the other NEOs and the other ZET members;
- Reviewing and making recommendations for changes to our compensation peer group;
- Reviewing our annual incentive and long-term incentive plan design, including the design and development of performance-based long-term incentives for introduction in 2015;
- Developing recommendations for stock ownership guidelines for our executives; and
- Reviewing this CD&A and related compensation tables.

Management engaged Compensation Advisory Partners, LLC in 2014 as an advisor on executive compensation matters and to assess our incentive and other compensation programs to ensure they do not create undue risk for the company.

Peer Group and Compensation Benchmarking

In 2014, the Committee asked Towers Watson to conduct a review of Zoetis compensation peer group of publicly-traded companies that is used for purposes of benchmarking pay levels and pay practices for our CEO, our other NEOs, and the other ZET members. Because there are currently no other independent publicly-traded animal health companies of comparable size and complexity, our peer group selection looks beyond our direct competitors in the animal health industry to a broader list of companies in the pharmaceutical, biopharmaceutical, life sciences and nutrition industries. Additionally, companies with similar sales and market capitalization, as well as the nature of their businesses, start-up histories, industries and the availability of relevant comparative compensation data, were also considered. This review resulted in a revised compensation peer group comprised of the 17 peer companies listed in the table below:

Actavis plc	Endo International plc
Agilent Technologies, Inc.	Hospira, Inc.
Allergan, Inc.	Mead Johnson Nutrition Company
Becton, Dickinson and Company	Mettler-Toledo International Inc.
Biogen Idec Inc.	Mylan Inc.
Bio-Rad Laboratories, Inc.	PerkinElmer, Inc.
Celgene Corporation	Perrigo Company plc
Covance Inc.	Quintiles Transnational Holdings Inc.
C. R. Bard, Inc.	

Zoetis ranks in the 57th percentile in revenues and the 48th percentile in total market cap among the companies in this revised peer group. This revised peer group will be used to guide the Committee in making 2015 compensation decisions.

In determining the elements of 2014 compensation for our NEOs, we used:

- Proxy data for the peer group as constituted before the changes described above and as disclosed in the company s prior year CD&A, because those changes were discussed by the Committee and implemented after the elements of 2014 NEO compensation were established.

- Survey data from similarly-sized companies in life sciences and other industries for benchmarking purposes to ensure robust data. In particular, in certain cases, we used data from the Aon/Radford Global Life Sciences Survey and the Aon/Hewitt TCM database for this purpose.

Target total direct compensation for our NEOs after 2014 compensation decisions were made was at or below the median of the compensation of similar positions across our peer companies. The Committee will continue to review our compensation peer group on an annual basis and will make any adjustments that are deemed to be appropriate to retain executives while maintaining flexibility to adjust compensation to reflect financial and operational performance and other matters the Committee deems relevant.

Role of Management in Compensation Decisions

Our CEO and Chief Human Resources Officer provide the Committee with preliminary recommendations for compensation of the NEOs other than themselves. The Committee, with the advice of its own independent compensation consultant, approves the compensation for the NEOs other than the CEO, and recommends the compensation of the CEO to our full Board of Directors for approval.

2014 COMPENSATION PROGRAM AND DECISIONS

Compensation Structure

The compensation structure for our executives, including our NEOs, reflects our overall compensation philosophy of emphasizing pay-for-performance and aligning the interests of our executive officers and our shareholders, and is designed to emphasize variable compensation over fixed compensation, and equity compensation over cash compensation. For all of our NEOs, long-term incentive compensation, which is entirely equity based, makes up the largest portion of their pay mix. In 2014, 85% of the target total direct compensation (TTDC) of our CEO was variable pay, either subject to achievement of performance goals or with value directly tied to the price of our common stock. For each of our NEOs other than our CEO, Mr. David (who served as acting CFO for four months during 2014), and Mr. Passov (who left the company in April 2014), on average 72% of TTDC was variable pay.

The table and chart below show the mix of TTDC for our NEOs for 2014. The TTDC for our NEOs other than Mr. Passov reflects their annualized base salaries and target annual incentive opportunities as of the end of the year. Mr. Passov s annualized TTDC is shown just prior to the termination of his employment with the company. The numbers in this table differ from those shown in the 2014 Summary Compensation Table (provided later in this proxy statement) in that the Summary Compensation Table reflects actual base salary and target annual incentives earned during 2014 (rather than annualized amounts), and this table does not include all compensation information required to be presented in the Summary Compensation Table under the rules of the SEC.

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NEO Compensation Structure as of December 31, 2014

Executive	Base Salary	Target Annual Incentive	Total Long-Term Incentive Value	Target Total Direct Compensation	Pay Mix Base Salary	Target Annual Incentive	Long-Term Incentive
Juan Ramón Alaix	$ 1,100,000	$ 1,265,000	$ 5,000,000	$ 7,365,000	15%	17%	68%
Paul S. Herendeen	$ 630,000	$ 441,000	$ 1,750,000	$ 2,821,000	22%	16%	62%
Kristin C. Peck	$ 625,500	$ 437,850	$ 1,260,000	$ 2,323,350	27%	19%	54%
Clinton A. Lewis, Jr.	$ 468,500	$ 304,525	$ 750,000	$ 1,523,025	31%	20%	49%
Catherine A. Knupp	$ 468,500	$ 304,525	$ 750,000	$ 1,523,025	31%	20%	49%
Glenn C. David	$ 400,000	$ 200,000	$ 250,000	$ 850,000	47%	24%	29%
Richard A. Passov	$ 635,800	$ 445,060	$ 1,600,000	$ 2,680,860	24%	17%	59%

Base Salary

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

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

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

After taking into consideration the factors listed above, as well as to better align the annual base salary levels of our NEOs with median annual base salary levels for comparable positions in the Zoetis peer group for 2014, our NEOs received the following increases in base salary for 2014, effective April 1, 2014:

- Mr. Alaix received a salary increase of 22.2%, reflecting the leadership provided during Zoetis transition to an independent public company, and the company s strong business results in 2013.

Mr. Lewis and Dr. Knupp received salary increases of 17.1%, reflecting increases in their responsibilities due to their respective transitions from their former divisional roles within Pfizer to their new roles in Zoetis as direct reports to the CEO of an independent public company, responsible for leading the U.S. Operations and the Global Genetics business in the case of Mr. Lewis, and leading the company s global Research and Development function in the case of Dr. Knupp.

Ms. Peck and Mr. Passov received salary increases of 3.4%, reflecting general market increases and recognizing the elimination of the financial planning executive perquisite that had been previously available to them.

Mr. David received a salary increase of 3.0% on April 1, 2014, reflecting general market increases in his role as Senior Vice President, Finance Operations. Additionally, Mr. David subsequently received a 15.8% salary increase to recognize increases in his responsibilities and to retain Mr. David as a key senior member of Zoetis finance team.

Mr. Herendeen was hired on September 2, 2014, and has not received any salary increases since that time.

Annual Incentive Plan

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

Our AIP utilizes a funded pool approach. An overall target AIP pool for the year is determined by adding together the target AIP payouts for each eligible employee, including the NEOs. The actual amount of the AIP pool for 2014 was determined by the Committee based on the company s attainment of the revenue, adjusted diluted EPS and cash metric goals (weighted 40%, 40%, and 20%, respectively) approved by the Committee in the first quarter of the year.

These measures were selected because:

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

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

The threshold, target and maximum performance levels for AIP pool funding for 2014 were established by the Committee in early 2014.

Company 2014 Performance

Our financial results for 2014 led to above-target payouts under our AIP.

- Our revenue of $4.795 billion exceeded the revenue target under the AIP of $4.715 billion.

- Our adjusted diluted EPS of $1.61 per share exceeded the adjusted diluted EPS target under the AIP of $1.55 per share.

- Our cash metric result in 2014 was $573 million, which was 98.8% of our 2014 cash metric target of $580 million.

Given these results, the Committee approved an overall funding level of 115% of target for all employees eligible under the AIP. The Committee believes this funding level reflects Zoetis 2014 financial performance and also recognizes Zoetis achievement of its 2014 objectives.

The revenue, adjusted diluted EPS and cash metric target levels and results reflected here and used to determine the funding level of our AIP pool exclude the impact of foreign exchange during 2014 and are therefore different from our reported revenue and adjusted diluted EPS results of $4.785 billion and $1.57 per share, respectively. The impact of foreign exchange is excluded as it is not a direct measure of individual achievement.

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The threshold, target and maximum performance levels for AIP pool funding, as well as the actual results for 2014, are shown in the table below.

The target payout levels for our NEOs were set by the Committee (and, in the case of the CEO, the Board of Directors) in March 2014. Payouts under the AIP program can range from 0%-200% of the target level based on actual performance.

CEO 2014 Performance

As discussed in more detail in the section above entitled CEO Compensation: At A Glance, the annual incentive target for Mr. Alaix was initially set at $990,000 (110% of his January 1, 2014 salary) and was increased to $1,265,000 (115% of his April 1, 2014 salary) by our Board of Directors, upon a recommendation made by the Committee effective April 1, 2014. This increase was applied on a prospective basis in determining his payout under the AIP for 2014.

In determining Mr. Alaix 2014 annual incentive payment, the Board of Directors and the Committee considered the strong financial results achieved by the company under Mr. Alaix leadership, including performance against the revenue, adjusted diluted EPS, and cash metrics included in the AIP, and the company s strong 2014 stock price growth and Total Shareholder Return. The Board and the Committee also considered Mr. Alaix other 2014 achievements, including:

- Delivering on defined key milestones (regulatory submissions, approvals, stage gate progressions) for the product pipeline (Sarolaner, PEDv, IL-31) on or ahead of schedule;
- Signing an agreement to acquire the assets of Abbott Animal Health;
- Making significant progress towards completing the Zoetis separation and effectively implementing a new operating model;
- Engaging and retaining a high-performing workforce, evidenced by employee engagement results of 86%, a voluntary global turnover rate of 6%, and the designation of Zoetis as a Top 10 company by Working Mother magazine; and
- Successfully achieving various transitions in leadership with the hiring of a new Chief Financial Officer, a new President of Global Manufacturing and Supply (GMS), and a new Chief Information Officer.

The Board of Directors and the Committee also considered the results of an anonymous 360 degree feedback survey, conducted among the members of the ZET, in evaluating Mr. Alaix 2014 performance. ZET members provided their views on Mr. Alaix performance across various leadership dimensions, including strategy and vision, operational and leadership effectiveness, company reputation and external relationships, and corporate culture. The results of this survey were considered by the Board in its assessment of Mr. Alaix 2014 performance and were used to provide constructive feedback to Mr. Alaix to enhance his leadership effectiveness going forward.

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After considering and balancing each of these inputs to Mr. Alaix overall 2014 performance, the Committee recommended and the Board of Directors approved an annual incentive payout to Mr. Alaix of 115% of target ($1,375,700).

Other NEO 2014 Performance

What follows are highlights of individual and regional/business unit/function performance considered in the CEO s evaluation of the performance of the other NEOs and his recommendations with respect to their AIP payouts for 2014. In approving the compensation recommendations for the other NEOs, the Committee considered the overall performance of the company, as well as the CEO s assessment of each NEO s individual performance and accomplishments relative to each NEO s individual performance objectives that were approved by the Committee at the start of 2014.

Paul S. Herendeen, Executive Vice President and Chief Financial Officer. Mr. Herendeen joined Zoetis on September 2, 2014, as Executive Vice President and Chief Financial Officer. Since joining Zoetis, Mr. Herendeen played a key role in the company s first Investor Day, was a significant contributor in reaching the agreement to acquire the assets of Abbott Animal Health, assumed oversight of the implementation of the company s Enterprise Resource Planning system, and drove an effective transition in the leadership of the company s Information Technology organization.

Kristin C. Peck, Executive Vice President and Group President. Ms. Peck leads our GMS, Global Poultry, Diagnostics, Business Development and Strategy, and New Products Marketing functions. Under Ms. Peck s leadership GMS established a plant network strategy which is projected to reduce cost of goods sold by 200 basis points by 2020. Additionally, Ms. Peck successfully executed a restructuring of GMS senior leadership and operations to improve the efficiency and effectiveness of the GMS organization. Ms. Peck led our strategic planning process and led our Business Development group in reaching the agreement to acquire the assets of Abbott Animal Health. Under Ms. Peck s leadership, our Diagnostics business completed an 18-month turnaround, achieving 12% revenue growth overall and double-digit growth in all regions.

Clinton A. Lewis, Jr., Executive Vice President and President, U.S. Operations. Under Mr. Lewis leadership, our U.S. business surpassed its 2014 revenue and income targets, with improved gross and operating margins over 2013 levels, while growing our U.S. business faster than the market overall and in each species. Mr. Lewis also leads our Global Genetics business. Under Mr. Lewis leadership, our Global Genetics business achieved profitability ahead of the schedule laid out in the company s long-range operating plan.

Dr. Catherine A. Knupp, Executive Vice President and President, Research and Development. Dr. Knupp leads our global R&D function. In 2014, under her leadership, we received a number of high priority approvals, in some instances months ahead of schedule. Dr. Knupp made significant contributions to Zoetis P&L through the effective management of the company s R&D spend, while accelerating key pipeline projects and expanding the company s research presence and capabilities in growth markets.

NEO AIP Decisions

In February 2015, the Committee (and, in the case of the CEO, the Board of Directors) determined the amount of annual incentive earned by each of our NEOs and approved the final payouts to each executive for 2014. Zoetis NEOs 2014 annual incentive awards were based on:

- the financial performance of Zoetis (measured against targets for revenue, adjusted diluted EPS and the cash metric);
- the financial performance of their respective region/business unit/function measured by annual budgets for revenue and income before adjustments (as applicable);
- the achievement of 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 above), including an assessment of whether such performance objectives were achieved in alignment

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with our Core Beliefs, which define the values and behaviors that we expect all Zoetis employees, including our NEOs, to exhibit in carrying out their responsibilities.

The 2014 AIP target amounts are prorated to reflect base salary increases received during the year. The 2014 AIP awards for our NEOs, reflecting the Committee s assessment of their performance in 2014 (and, in the case of our CEO, the Board of Director s assessment of his performance in 2014) are shown in the table below.

Named Executive Officer	2014 Period	Base Pay	Pro-rata Base Pay	AIP Target % of Base Pay	AIP Target Amount	AIP Award % of Target	AIP Award Paid
Juan Ramón Alaix	January 1 March 31	$ 900,000	$ 225,000	110%	$ 247,500		
	April 1 December 31	$ 1,100,000	$ 825,000	115%	$ 948,750		
			$ 1,050,000	114%	$ 1,196,250	115%	$ 1,375,700
Paul S. Herendeen (1)	September 2 30	$ 630,000	$ 50,114	70%	$ 35,080		
	October 1 December 31	$ 630,000	$ 157,500	70%	$ 110,250		
			$ 207,614	70%	$ 145,330	115%	$ 167,130
Kristin C. Peck	January 1 March 31	$ 605,000	$ 151,250	70%	$ 105,875		
	April 1 December 31	$ 625,500	$ 469,125	70%	$ 328,388		
			$ 620,375	70%	$ 434,263	113%	$ 490,717
Clinton A. Lewis, Jr.	January 1 March 31	$ 400,000	$ 100,000	65%	$ 65,000		
	April 1 December 31	$ 468,500	$ 351,375	65%	$ 228,394		
			$ 451,375	65%	$ 293,394	120%	$ 352,073
Catherine A. Knupp	January 1 March 31	$ 400,000	$ 100,000	65%	$ 65,000		
	April 1 December 31	$ 468,500	$ 351,375	65%	$ 228,394		
			$ 451,375	65%	$ 293,394	120%	$ 352,073
Glenn C. David	January 1 March 31	$ 335,400	$ 83,850	45%	$ 37,733		
	April 1 August 31	$ 345,462	$ 143,943	45%	$ 64,774		
	September 1 December 31	$ 400,000	$ 133,333	50%	$ 66,667		
			$ 361,126	47%	$ 169,173	133%	$ 225,000
Richard A. Passov (1)	January 1 March 31	$ 615,000	$ 153,750	70%	$ 107,625		
	April 1 April 30	$ 635,800	$ 52,983	70%	$ 37,088		
							$ 445,060(2)

(1) Mr. Herendeen s and Mr. Passov s amounts reflect partial year employment.

(2) Mr. Passov was paid his annualized target amount of $445,060 for his 2014 AIP in accordance with the Executive Severance Plan, on April 30, 2014.

Long-Term Incentives (LTI)

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

In 2014, long-term incentive values were delivered to the NEOs, other ZET members and other eligible employees of Zoetis generally through a mix of 50% stock options and 50% RSUs[5]. We believe that the mix of stock options (which have

[5] From time to time, grants comprised solely of RSUs may be made in the context of recruiting (e.g., RSUs may be used to make up for forfeited long-term incentives at the prior employer).

value only if there is an increase in the value of our stock) and RSUs (which focus our executives on sustained growth) that was delivered in 2014 supports our pay-for-performance objective by tying awards to shareholder value accretion.

These awards are subject to three-year cliff vesting, meaning that the awards vest in full on the third anniversary of the date of grant, subject to continued employment through the vesting date (however accelerated vesting provisions apply for certain termination conditions, such as retirement, death, disability, restructuring and change in control).

Stock Options. We view stock options as a form of long-term incentive that 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 generally must remain with the company for three years following the date of the grant before they can exercise the stock options, and the options have a ten-year term from the date of the grant.

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

We view RSUs as being effective in achieving several objectives:

- aligning the interests of executives with those of shareholders over the vesting period;
- retaining executive talent; and
- encouraging stock ownership by delivering shares upon settlement.

NEO LTI Decisions

Our NEOs typically receive equity-based grants as part of our annual grant of long-term incentive awards which occurs during the first quarter of each year. Although it is infrequent, NEOs may receive interim awards in certain extraordinary situations. For example, in 2014, Mr. Herendeen received an equity-based award upon the commencement of his employment with the company on September 2, 2014, in the form of stock options and RSUs, each weighted equally. Also on this date, Mr. David received an award to recognize his achievements for the period he served as Acting CFO, in the form of RSUs.

The following table sets forth the long-term incentive awards delivered to our NEOs in 2014. In determining the number of awards issued, the value of RSUs is divided by the grant date closing price of Zoetis common shares (rounded down to the nearest whole number), and the option value is divided by the Zoetis Black-Scholes value as of the grant date (rounded down to the nearest whole number).

Named Executive Officer	Total Long-Term Incentive Value	Stock Option Value	RSU Value	# of Stock Options Granted	# of RSUs Granted
Juan Ramón Alaix	$ 5,000,000	$ 2,500,000	$ 2,500,000	312,109	80,932
Paul S. Herendeen	$ 875,000	$ 437,500	$ 437,500	50,636	12,330
Kristin C. Peck	$ 1,260,000	$ 630,000	$ 630,000	78,651	20,394
Clinton A. Lewis, Jr.	$ 750,000	$ 375,000	$ 375,000	46,816	12,139
Catherine A. Knupp	$ 750,000	$ 375,000	$ 375,000	46,816	12,139
Glenn C. David	$ 412,500	$ 131,250	$ 281,250	16,385	8,475
Richard A. Passov *	$ 1,600,000	$ 800,000	$ 800,000	99,875	25,898

* Mr. Passov s 2014 long-term incentive award was forfeited upon the termination of his employment with the company on April 30, 2014.

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Retirement Benefits

Our NEOs receive retirement benefits through Zoetis U.S. Savings Plan. The Savings Plan is a tax-qualified 401(k) savings plan available to all eligible U.S. employees. Participants may elect to contribute up to 60% of their salary and annual incentive payment to the Savings Plan, subject to Internal Revenue Code limitations. We match 100% of the employee contribution, up to 5% of each eligible employee s pay. We may also contribute a discretionary profit sharing amount of up to 8% of each eligible employee s pay (subject to Internal Revenue Code limitations). For 2014, we contributed 4% of each eligible employee s pay (including the NEOs) as a profit sharing contribution.

To the extent the Internal Revenue Code limitations are exceeded, our Supplemental Savings Plan is a non-qualified deferred compensation plan that makes up for amounts that would otherwise have been contributed to the Savings Plan but could not be contributed due to Internal Revenue Code limitations on the amount of compensation that may be taken into account under a tax-qualified plan ($260,000 for 2014). Eligible employees, including all of our NEOs, may elect to defer up to 30% of the amount by which their salary and annual incentive payment exceeds this compensation limit. We match these deferrals at the same rate as under the Savings Plan, 100% match up to 5% of pay. In addition, our NEOs and certain other executives may elect to defer up to an additional 60% of the amount of their annual incentive payment that is over the Internal Revenue Code 401(a)17 limit. We do not match these additional deferrals. If an employee s profit sharing contribution to the Savings Plan is limited by the compensation or contribution limit, the portion that the employee was not able to receive in the Savings Plan is credited to the employee s account in the Supplemental Savings Plan.

Severance

The Zoetis Executive Severance Plan covers our NEOs, ZET members, and certain other executives. We do not maintain individual employment agreements with our executives. The plan provides for payment of severance benefits in the event of an involuntary termination of employment (other than for Cause) that is not in connection with a change in control, and a higher level of benefits in the event of an involuntary termination of employment (other than for Cause) or a termination for good reason that is in connection with or within 24 months 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)	Annual Incentive
Non-Change in Control Severance			
CEO	18 months	12 months	1.5x target
Other Participants	12 months	12 months	1x target
Change in Control Severance			

CEO	30 months	18 months	2.5x target
Other Participants	24 months	18 months	2x target

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

Mr. Passov

In connection with his termination of employment on April 30, 2014, Mr. Passov became entitled to receive the payments and benefits described below. These payments and benefits were provided in accordance with the terms and conditions applicable to other similarly situated executives under the Zoetis Executive Severance Plan and the Equity Plan, as described in this CD&A.

Under the Executive Severance Plan, Mr. Passov became entitled to receive the following upon his termination of employment: (i) a payment equal to 12 months base salary as in effect as of the date of his termination of employment ($635,800), payable over the 12 month period ending April 30, 2015, (ii) a lump-sum payment equal to his annualized 2014 target annual incentive of $445,060, paid on the date of Mr. Passov s termination of employment, (iii) company-subsidized health and life insurance benefits for the 12 months following the date of his termination of employment (i.e., through April 30, 2015) and outplacement services, and (iv) a payment equal to $15,479 in respect of Mr. Passov s unused vacation, paid on the date of Mr. Passov s termination of employment.

Mr. Passov s long-term incentive awards were subject to the following treatment, as prescribed for all retirement-eligible participants under the Equity Plan and as provided in Mr. Passov s long-term incentive award agreements:

Mr. Passov s long-term incentive awards granted in 2014 were forfeited upon his termination of employment.

With respect to his long-term incentive awards granted in 2013, as a retirement-eligible employee:

- Mr. Passov s stock options continued to vest following his termination of employment on their original vesting schedule (subject to the terms and conditions of the Equity Plan and applicable stock option award agreements); and

- Mr. Passov vested in a pro rated portion of his outstanding RSUs, including dividend equivalent units underlying such RSUs, based on the number of days that he was an active employee during the applicable vesting period, and any RSUs that did not so vest were forfeited upon his termination of employment.

The payments and benefits described above are consistent with, and not in excess of, the payments and benefits available to all other similarly situated retirement-eligible executives of the company upon an involuntary termination of employment not in connection with a change in control under the Zoetis Executive Severance Plan and the Equity Plan.

CORPORATE GOVERNANCE POLICIES

Stock Ownership and Holding Requirements

Our share ownership guidelines encourage our NEOs to own and maintain a substantial stake in the company. Our guidelines are established as a multiple of each executive s base salary. In assessing compliance with the guidelines, we count shares held outright, unvested restricted stock or RSUs, and shares held in benefit plans. On October 2, 2014, the Committee updated these guidelines to align the base salary multiple for all executives (other than the CEO) at three times their base salary. The CEO s share ownership guideline remains at five times his base salary. For 2014, two of our NEOs, Mr. Lewis and Dr. Knupp, have had their share ownership guideline increased from two times their base salary to three times their base salary. With this alignment, our guidelines by executive level are as follows:

- Mr. Alaix: 5 times base salary
- NEOs other than Mr. Alaix: 3 times base salary
- All other ZET members: 3 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 (and all other ZET members) will have five years from the establishment of the guidelines to achieve the share ownership requirement.

Anti-Hedging and Anti-Pledging Policies

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

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EXECUTIVE COMPENSATION

Claw-back Policy

Zoetis maintains a claw-back policy under which the 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, or where employees were found to have altered financial or operational results used to determine award values. The intent of the policy is to enable the company to recover any amount determined by the Committee to have been inappropriately received by the employee.

COMPENSATION RISK ASSESSMENT

In 2014, the Committee considered whether the company s compensation policies and practices for its employees, including the NEOs, create risks that are reasonably likely to have a material adverse effect on the company.

In evaluating a compensation risk assessment that was conducted by Compensation Advisory Partners, LLC, management s compensation consultant, and reviewed by the Committee s independent executive compensation consultant, the Committee considered the following: (i) the mix of cash and equity compensation, which is balanced with a strong emphasis on long-term awards, (ii) goals and objectives of the company s compensation programs, reflecting both quantitative and qualitative performance measures and avoiding excessive weight on a single performance measure, (iii) equity compensation granted in the form of both stock options and restricted stock units to provide greater incentive to create and preserve long-term shareholder value, (iv) regular review of comparative compensation data to maintain competitive compensation levels in light of the company s industry, size and performance, (v) the company s minimum stock ownership guidelines, which ensure that executive officers have a meaningful direct ownership stake in the company and align executive officers with long-term shareholder interests, (vi) the company s restrictions on engaging in hedging transactions in the company s securities, and (vii) the company s claw-back policy.

Based on its evaluation in 2014, the Committee has determined, in its reasonable business judgment, that the company s compensation policies and practices as generally applicable to its executive officers and employees do not create risks that are reasonably likely to have a material adverse impact on the company and instead promote behaviors that support long-term sustainability and shareholder value creation.

TAX DEDUCTIBILITY OF NEO COMPENSATION

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

Certain of our compensation and benefit plans are designed to permit us to grant awards that may qualify as qualified performance-based compensation ; however, it is possible that awards intended to qualify for the tax deduction may not so qualify if all requirements of the qualified performance-based compensation exemption are not met. Furthermore, although the Committee may take action intended to limit the impact of Section 162(m) of the Internal Revenue Code, it also believes that the tax deduction is only one of several relevant considerations in setting compensation. The Committee believes that the tax deduction limitation should not be permitted to compromise the ability to design and maintain executive compensation arrangements that will attract and retain executive talent. Accordingly, achieving the desired flexibility in the design and delivery of compensation may result in compensation that in certain cases is not deductible for federal income tax purposes.

COMPENSATION DECISIONS FOR 2015

Several changes to our compensation program were approved for 2015:

The Committee approved the addition of a performance-vesting award (Performance Award) to our long-term incentive program beginning with our 2015 annual grants. We believe the addition of a performance-based component to the long-term incentive program will further enhance the tie between pay and performance in our compensation model and promote increased alignment of our NEOs interests with those of our shareholders. The Performance Awards will have the following features:

- A three-year performance period with payout potential ranging from 0% 200%, depending upon the extent to which the established performance metrics are achieved;
- The performance metric for the 2015 2017 performance period will be the company s Total Shareholder Return (TSR) relative to the TSR performance of the companies comprising the Standard & Poor s (S&P) 500 index as of December 31, 2014;
- Approximately 200 senior leaders of the company, including the NEOs, will be eligible for the Performance Award. The Performance Award will comprise one-third of the value of each senior leader s long-term incentive award beginning with the 2015 grant.

In addition to adding Performance Awards for senior leaders, the Committee approved a change to the types of long-term incentive vehicles that we grant to other Zoetis employees who are eligible for long-term incentives:

- In general, through 2014 employees eligible for long-term incentives, including the NEOs, received the value of their long-term incentive awards as a mix of 50% stock options and 50% RSUs;
- Beginning with our 2015 annual grant:
  - eligible senior leaders, comprising approximately 200 employees including the NEOs, will receive their long-term incentive award in the form of stock options, RSUs and Performance Awards, each representing one-third of the total award; and
  - Zoetis employees below the senior leader level who are eligible for long-term incentives will receive their long-term incentive award 100% in the form of RSUs.

These changes will serve as a valuable retention vehicle for the company s key talent (including at levels below the level of the NEOs) and will further motivate our senior leaders to focus their performance on the long-term goals of the company and align their interests with those of our shareholders.

The Zoetis Board of Directors approved the Zoetis Equity Deferral Plan which allows the most senior leaders of the company (approximately 15 employees, including the NEOs) to defer the receipt of common stock upon vesting of future grants of RSUs and Performance Awards. Participation in this plan is voluntary. Key points of this plan include:

Participants may elect to defer the full amount of common stock to be received upon vesting, or a lesser amount in 25% increments;

Participants may elect to receive their deferred shares upon employment termination in a lump sum or in annual installments (special provisions provide for situations such as death or disability, or to comply with IRS regulations, as described more fully in the plan);

Election decisions must be made by the end of the year before RSUs are granted, and by the end of the second year of a three-year performance period for Performance Awards.

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EXECUTIVE COMPENSATION

REPORT OF THE COMPENSATION COMMITTEE

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

THE COMPENSATION COMMITTEE

Robert W. Scully, Chair

Sanjay Khosla

Gregory Norden

Louise M. Parent

EXECUTIVE COMPENSATION TABLES

The following tables summarize our NEO compensation:

1. **Summary Compensation Table.** The Summary Compensation Table summarizes the compensation earned by or paid to our NEOs for the fiscal years ended December 31, 2014, 2013, and 2012, 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. **2014 Grants of Plan-Based Awards Table.** The 2014 Grants of Plan-Based Awards Table summarizes all grants of plan-based awards made to our NEOs for the fiscal year ended December 31, 2014.

3. **Outstanding Equity Awards at 2014 Fiscal Year-End Table.** The 2014 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, 2014.

4. **2014 Option Exercises and Stock Vested Table.** The 2014 Option Exercises and Stock Vested Table summarizes our NEOs option exercises and stock award vesting during the fiscal year ended December 31, 2014.

5. **2014 Non-Qualified Deferred Compensation Table.** The 2014 Non-Qualified Deferred Compensation Table summarizes the activity during 2014 and account balances under our Supplemental Savings Plan as of December 31, 2014.

6. **Potential Payments upon Employment Termination Table.** The Potential Payments upon Employment Termination Table summarizes payments and benefits that would be made to our NEOs in the event of certain employment terminations, assuming such terminations occurred on December 31, 2014.

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EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE

Name	Year[1]	Salary ($)	Bonus ($)	Stock Awards[7] ($)	Option Awards[8] ($)	Non-Equity Incentive Plan Compensation[9] ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings[10] ($)	All Other Compensation[11] ($)	Total ($)
Juan Ramón Alaix	2014	1,050,000		2,499,989	2,499,993	1,375,700	0	211,044	7,636,726
Chief Executive Officer	2013	825,000		2,464,437	1,999,995	1,218,000	0	110,929[12]	6,618,361
	2012	613,533		438,013	441,787	500,000	458,739	49,559	2,501,631
Paul S. Herendeen	2014[2]	207,614		437,468	437,495	167,130	0	18,686	1,268,393
Executive Vice President and Chief Financial Officer									
Kristin C. Peck	2014	620,375		629,971	629,995	490,717	0	96,847	2,467,905
Executive Vice President and	2013	605,000		1,601,562	559,994	443,000	0	91,466[12]	3,301,022
Group President	2012	526,250	250,000[5]	421,189	424,843	396,000	208,815	51,316	2,278,413
Clinton A. Lewis, Jr.	2014	451,375		374,974	374,996	352,073	0	67,575	1,620,993
Executive Vice	2013	400,000		919,000	300,000	300,000	0	51,904[12]	1,970,904

President and President, U.S. Operations	2012	373,800		428,837	129,951	174,900	261,964	13,946	1,383,398
Catherine A. Knupp	2014	451,375		374,974	374,996	352,073	0	67,278	1,620,696
Executive Vice President and	2013	400,000		909,844	300,000	280,000	0	48,931(12)	1,938,775
President, R&D	2012	362,733		423,874	124,954	174,900	196,166	25,375	1,308,002
Glenn C. David	2014(3)	361,126	75,000(6)	281,195(6)	131,244	225,000	0	51,623	1,125,188
Former Acting Chief									