



**Corporate Governance Principles**  
**of**  
**Zoetis Inc. (the "Company")**



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## Composition and Selection of the Board of Directors

1. **General.** The Board of Directors (the “Board”) of the Company, which is elected by the stockholders, is the ultimate decision-making body of the Company, except with respect to those matters reserved to the stockholders. It selects the Chief Executive Officer and reviews the officers directly reporting to the Chief Executive Officer (collectively, “Senior Management” or “Senior Managers”), as well as other officers. Having selected the Chief Executive Officer, the Board acts as an adviser and counselor to Senior Management and ultimately monitors corporate and management performance, including with respect to significant strategic and operational initiatives, by exercising sound and independent business judgment. The Board’s ability to monitor the performance of Senior Management is facilitated by the presence of non-employee directors of stature who have substantive knowledge of the Company’s business.

2. **Board Leadership.** The Board will annually elect a Chair of the Board, who may or may not be the Chief Executive Officer of the Company. The Chair of the Board shall preside at all meetings of the stockholders and of the Board. The Chair shall perform such other duties, and exercise such powers, as from time to time shall be prescribed in the Company’s By-laws or by the Board. If the individual elected as Chair of the Board is the Chief Executive Officer, the independent directors shall also elect a lead independent director. The lead independent director, if any, shall preside over executive sessions of the Company’s independent directors, facilitate information flow and communication among the directors and perform such other duties, and exercise such powers, as from time to time shall be prescribed in the Company’s By-laws or by the Board.

3. **Board Size.** The Committee shall periodically consider and make recommendations to the Board concerning the appropriate size of the Board and shall consider candidates to fill new positions created by increases in the size of the Board and vacancies that occur by resignation, retirement or any other reason.

4. **Director Qualification Standards.** It is the policy of the Company that the Board consist of a majority of independent directors. The Board will consider all relevant facts and circumstances in making an independence determination, not merely from the standpoint of the director, but also from that of persons or organizations with which the director has an affiliation. To be considered independent a director must be determined, by resolution of the Board as a whole, after due deliberation, to (i) be independent as determined under the independence standards set forth in Section 303A.02(b) of the New York Stock Exchange (the “NYSE”) Listed Company Manual and (ii) have no material relationship with the Company other than as a director. Except as otherwise noted below, the “Company” as used in this section 4, includes the Company and any parent or subsidiary in a consolidated group with the Company or such other company as is relevant to any determination under the independence standards set forth in Section 303A.02(b) of the NYSE Listed Company Manual.

- a. In no event will a director be considered "independent" if:
  - i. the director is, or has been within the last three years, an employee of the Company;

- ii. an immediate family member<sup>1</sup> of the director is, or has been within the last three years, an executive officer of the Company;
  - iii. the director has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than \$120,000 in direct compensation from the Company (other than director and committee fees and pension or other forms of deferred compensation for prior service with the Company, provided such compensation is not contingent in any way on continued service);
  - iv. (A) the director or an immediate family member of the director is a current partner of a firm that is the Company's internal or external auditor; (B) the director is a current employee of such firm; (C) the director has an immediate family member who is a current employee of such firm and who personally works on the Company's audit; or (D) the director or an immediate family member of the director was within the last three years (but is no longer) a partner or employee of such firm and personally worked on the Company's audit within that time;
  - v. an executive officer of the Company serves or served on the compensation committee of the board of directors of a company that, at the same time within the last three years, employs or employed either the director or an immediate family member of the director as an executive officer; or
  - vi. the director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1,000,000 or 2% of such other company's consolidated gross revenues.
- b. The following commercial relationships will not be considered to be material relationships that would impair a director's independence:
- i. if a director is a current employee, or an immediate family member of a director is a current executive officer, of another company that does business with the Company and the annual sales to, or purchases from, the Company in any of the last three fiscal years were less than one percent of the annual revenues of the company for which the director or the director's immediate family member serves as an executive officer or employee, as applicable; or
  - ii. if a director or an immediate family member of a director of the Company is an executive officer of another company that is indebted to the Company, or to which the Company is indebted, and the total amount of either company's indebtedness to the other is less than one percent of the total consolidated assets of the company for which such person serves as an executive officer.

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<sup>1</sup> As used in these principles the term "immediate family member" means a person's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares such person's home.

- c. The following not-for-profit relationship will not be considered to be a material relationship that would impair a director's independence: if a director serves as an executive officer of a not-for-profit organization, and the Company's discretionary charitable contributions to the organization, in the aggregate, are less than two percent (or \$1,000,000, whichever is greater) of that organization's latest publicly available consolidated gross revenues.
- d. Annually, the Board will review commercial and charitable relationships of directors to determine, based upon the recommendation of the Corporate Governance and Sustainability Committee (the "Committee"), whether directors may be considered "independent." Information regarding commercial and charitable relationships that are not considered material relationships under sections 4.b or 4.c above, as applicable, will not be reviewed by the Board; however, such information will be made available to the Board or the Committee upon request. There is no presumption that relationships exceeding the limits described in sections 4.b and 4.c above are material and the Board may determine (based upon the recommendation of the Committee) that a director who has a relationship that exceeds the limits described in section 4.b (to the extent that any such relationship would not constitute a bar to independence under the NYSE listing standards) or section 4.c, is nonetheless independent. In that event, the Company will include the appropriate disclosure in the next proxy statement or other appropriate filing with the Securities and Exchange Commission (the "Commission").
- e. The Company will not make any personal loans or extensions of credit to directors.
- f. To help maintain the independence of the Board, all directors are required to deal at arm's length with the Company and its subsidiaries (and otherwise comply with the Company's Code of Conduct and the Related Persons Transactions policy contained herein) and to promptly disclose to the Chair of the Committee circumstances material to the director that might be perceived as a conflict of interest.

**5. Selection Criteria.** Director candidates are selected for, among other things, their integrity, independence, leadership and ability to exercise sound judgment. Academic, animal health or veterinary expertise, prior public company executive and board experience, significant human capital management, consumer products, life sciences, manufacturing and supply, marketing and sales, mergers and acquisitions, digital and technology or research and development experience, as well as other areas relevant to the Company's global business, are among the most significant criteria. Candidates considered by the Committee shall also be considered by other directors, and final approval of a candidate shall be determined by the full Board on the recommendation of the Committee. Diversity of skills, experience, race, ethnicity, gender, cultural background and thought among Board members is an important factor in the selection of directors. Accordingly, when evaluating candidates for nomination, the Committee will consider, and will ask any search firm that it engages for the purpose of identifying candidates for inclusion in the pools of initial candidate lists, diverse candidates (including with respect to gender, race and ethnicity) who meet applicable search criteria.

**6. Voting for Directors.** In accordance with the Company's By-laws, directors shall be elected by a majority vote in an uncontested election and by a plurality vote in a contested election. The Board expects a director to tender resignation if such director fails to receive the required number of votes for re-election and shall nominate for election or re-election as director

only candidates who agree to tender, promptly following such person's failure to receive the required vote for election or re-election, an irrevocable resignation that will be effective upon Board acceptance of such resignation. In addition, the Board shall fill director vacancies and new directorships only with candidates who agree to tender, promptly following their appointment to the Board, the same form of resignation tendered by other directors in accordance with these Corporate Governance Principles.

If an incumbent director fails to receive the required vote for re-election, then, within 90 days following certification of the stockholder vote, the Committee will act to determine whether to accept the director's resignation and will submit such recommendation for prompt consideration by the Board, and the Board will act on the Committee's recommendation. The Committee and the Board may consider any factors they deem relevant in deciding whether to accept a director's resignation.

Any director who tenders resignation pursuant to this provision shall not participate in the Committee recommendation or Board action regarding whether to accept the resignation offer.

Thereafter, the Board will promptly disclose its decision-making process and decision regarding whether to accept the director's resignation offer (or the reason(s) for rejecting the resignation offer, if applicable) in a press release, Current Report on Form 8-K (or any successor report) filed with or furnished to the Commission, or other broadly disseminated means of communication.

If each member of the Committee fails to receive the required vote in favor of each member's election in the same election, then those independent directors who did receive the required vote shall appoint a committee amongst themselves to consider the resignation offers and recommend to the Board whether to accept them.

However, if the directors who receive the required vote in the same election constitute three or fewer directors, all directors may participate in the action regarding whether to accept the resignation offers.

**7. Director Service on Other Public Boards.** Directors should advise the Committee of any invitations to join the boards of any other public company prior to accepting the directorship and the Company's Board, through the Committee, will determine whether such service may affect a director's eligibility to continue serving on the Company's Board. Unless otherwise approved by the Committee, directors should not serve on more than four boards of public companies in addition to the Company's Board and directors who are executive officers of public companies ordinarily should not sit on more than a total of three public company boards (including the Zoetis Board). Other public company directorships held on the date of election to the Company's Board in excess of these limits may be maintained unless the Company's Board determines that doing so would impair the director's service on the Company's Board.

**8. Director Retirement.** A director who has reached the age of 75 shall not be nominated for re-election to the Board and must retire immediately before the Company's annual meeting of stockholders following such director's 75<sup>th</sup> birthday. On the recommendation of the Committee, the Board may waive this requirement as to any director if it deems such waiver to be in the best interests of the Company.

**9. Change in Director Occupation.** When a director's principal occupation or business association changes substantially during such director's tenure, that director shall tender resignation for consideration by the Committee. The Committee will recommend to the Board the action, if any, to be taken with respect to the resignation.

**10. Term Limits.** The Board does not endorse arbitrary term limits on directors' service, nor does it believe in automatic re-nomination. The Board self-evaluation process is an important determinant for continuing service.

**11. Director Compensation.** The Committee shall periodically review the compensation of non-employee directors. In determining non-employee director compensation, the Committee shall take into consideration the substantial responsibilities of the directors, as well as fees and other forms of compensation paid by other corporations comparable to the Company.

**12. Ownership Requirements and Transactions in Company Securities.** Each director who is not an officer or employee of the Company is required to hold at least \$500,000 worth of the Company's stock, while serving as a director of the Company. 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 one share of the Company's Common Stock. A director will have five years from the date of (a) such director's first election as a director or (b) if later, an increase in the amount of Company stock required to be held, to satisfy this ownership requirement. Transactions in Company securities shall be pre-cleared with the Corporate Secretary's Office and are governed by the Company's policies on trading in Company securities.

**13. Director Orientation and Continuing Education.** The Company shall maintain an orientation and continuing education process for Board members that includes extensive materials, meetings with key management and visits to Company facilities. The Company also facilitates and encourages directors to participate in external director education programs.

## **Principal Roles and Responsibilities**

**14. Chief Executive Officer Performance Goals and Annual Evaluation.** The Human Resources Committee is responsible for setting annual and long-term performance goals for the Chief Executive Officer and for evaluating performance against such goals. The Human Resources Committee shall meet annually with the Chief Executive Officer to receive the Chief Executive Officer's recommendations concerning such goals. The Human Resources Committee shall then meet with the Chief Executive Officer to evaluate such Chief Executive Officer's performance against such goals.

**15. Senior Management Performance Goals.** The Human Resources Committee also is responsible for setting annual and long-term performance goals and compensation for the Senior Managers other than the Chief Executive Officer.

**16. Succession Planning.** The Board is responsible for planning for succession to the position of Chief Executive Officer as well as other Senior Management positions. To assist the Board, the Chief Executive Officer shall annually provide the Board with an assessment of other Senior Managers and their potential to succeed as Chief Executive Officer. The Chief Executive Officer shall also provide the Board with an assessment of persons considered potential successors to certain Senior Management positions.

**17. Communication with Stakeholders.** The Chief Executive Officer is responsible for establishing effective communications with the Company's stakeholder groups, i.e., stockholders, customers, Company colleagues, communities, suppliers, creditors, governments and partners.

It is the policy of the Company that Senior Management speaks for the Company. This policy does not preclude non-employee directors, including the Chair of the Board (if the Chair is

a non-employee Director), from meeting with stockholders, but it is suggested that in most circumstances any such meetings be held with Senior Management present.

**18. Annual Meeting Attendance.** All Board members are expected to attend the Company's Annual Meeting of Stockholders.

**19. Corporate Opportunities.** Directors owe a duty to the Company to advance its legitimate interests. Directors are prohibited from: (a) taking for themselves personally (or directing to third parties) opportunities that are discovered through the use of the Company's property or information or their position on the Board; (b) using the Company's property or information or their position on the Board for personal gain; or (c) competing with the Company for business opportunities. However, if the Company's disinterested directors determine that the Company will not pursue an opportunity that relates to the Company's business, a director may then do so.

### **Other Board Functions**

**20. Agenda.** The Chief Executive Officer, with approval from the Chair of the Board, shall set the agenda for Board meetings with the understanding that the Board is responsible for providing suggestions for agenda items that are aligned with its advisory, monitoring, and risk management and oversight functions of the Board. Agenda items that fall within the scope of responsibilities of a Board committee are reviewed with the Chair of that committee. Any member of the Board may request that an item be included on the agenda.

**21. Board Materials.** Board materials related to agenda items are provided to Board members sufficiently in advance of Board meetings to allow the directors to prepare for discussion of the items at the meeting.

**22. Board Meetings.** At the invitation of the Board, members of Senior Management and other employees recommended or approved by the Chief Executive Officer shall attend Board meetings or portions thereof for the purpose of participating in discussions. Generally, presentations of matters to be considered by the Board are made by the manager responsible for that area of the Company's operations.

**23. Director Access to Corporate and Independent Advisers.** In addition, Board members shall have free access to all members of management and other employees of the Company and, as necessary and appropriate, Board members may consult with independent legal, financial, accounting and other advisers to assist in their duties to the Company and its stockholders, all at the Company's expense.

**24. Executive Sessions.** Executive sessions or meetings of non-management directors without management present shall be held regularly (at least four times a year) to consider any relevant matters. If the Company holds regular meetings of all non-management directors (i.e., including non-management directors who are not independent), the Company shall hold an executive session including only independent directors at least once a year. Meetings are held from time to time with the Chief Executive Officer for a general discussion of relevant subjects.

**25. Annual Board Self-Evaluation.** The Board, under the direction of the Committee, will conduct an annual performance self-evaluation.

**26. Code of Conduct.** Any waiver of the Company's Code of Conduct for directors or executive officers may be made only by the Board or a committee of the Board and will be promptly disclosed to the Company's stockholders.

**27. Related Person Transactions.** All Related Person Transactions (as defined below) subject to these guidelines must be approved by the Committee in accordance with the following procedures.

a. Definitions

- i. A “Related Person Transaction” or “Transaction” is a transaction or series of transactions in which Zoetis Inc. and/or one or more of its subsidiaries (collectively, as used in this section 27, the “Company”) is a participant and (i) the amount involved exceeds \$120,000 and/or (ii) a Related Person has a direct or indirect material interest.
- ii. A “Related Person” is any director or executive officer of the Company, any nominee for director, any stockholder owning in excess of 5% of the total voting securities of the Company and any immediate family member of any such person.

b. Procedures

- i. Company management will be responsible for determining whether a transaction is a Related Person Transaction requiring review, including whether the Related Person has a material interest, based on an evaluation of the facts and circumstances and the Committee shall be entitled to rely upon determinations by Company management. Upon a determination by Company management that a transaction is a Related Person Transaction requiring review, the material facts concerning the Transaction and the Related Person’s interest in the Transaction shall be disclosed to the Committee. In determining whether to approve any Transaction, the Committee shall consider all relevant facts and circumstances and shall approve only those Transactions that are deemed to be in the best interests of the Company and its stockholders.
- ii. If the Related Person having a material interest in a Transaction is a member of the Committee or an immediate family member of a member of the Committee, such Committee member may not participate in the deliberations or vote concerning approval of such Transaction; provided, however, that such Committee member may be counted in determining the presence of a quorum at the meeting of the Committee at which such Transaction is considered.
- iii. In the event Company management determines that it is impractical or undesirable to wait until a meeting of the Committee to approve a Related Person Transaction, the Chair of the Committee may approve such Transaction. Any such approval must be reported to the Committee at its next regularly scheduled meeting.
- iv. In the event the Company becomes aware of a Related Person Transaction that has not been approved in accordance with these procedures, the Transaction shall be reviewed by the Committee as promptly as practicable. The Committee shall consider all relevant facts and circumstances respecting such Transaction and shall evaluate all options available to the Company, including revision or termination of such Transaction, and the Company shall take such action as the Committee deems appropriate under the circumstances.

- c. Standing Pre-Approval for Certain Transactions. The Committee has reviewed the types of Related Person Transactions described below and determined that each of the following Transactions shall be deemed to be pre-approved by the Committee, even if the aggregate amount involved exceeds \$120,000.
- i. Employment of executive officers. Any employment by the Company of an executive officer of the Company, so long as:
    1. the related compensation is required to be reported in the Company's proxy statement (or other appropriate filing with the Commission) under applicable compensation disclosure requirements (generally applicable to "named executive officers"); or
    2. the executive officer is not an immediate family member of another executive officer or director of the Company, or nominee for director, and the related compensation would be reported in the Company's proxy statement (or other appropriate filing with the Commission) under applicable disclosure requirements if the executive officer was a "named executive officer", and the Company's Human Resources Committee approved (or recommended that the Board approve) such compensation.
  - ii. Director compensation. Any compensation paid to a director if the compensation is required to be reported in the Company's proxy statement (or other appropriate filing with the Commission) under applicable compensation disclosure requirements.
  - iii. Business expenses. Reimbursement or payment of business expenses incurred by a director or executive officer of the Company in the performance of director or executive officer duties and approved for reimbursement or payment by the Company in accordance with the Company's customary policies and practices.
  - iv. Certain transactions with other companies. Any transaction made in the ordinary course of business with another company with which a Related Person's only relationship is as an employee (other than as an executive officer), director or beneficial owner of less than 10% of that company's shares, if the aggregate amount involved does not exceed the greater of \$1,000,000, or 2 percent of that company's total annual revenues.
  - v. Certain Company charitable contributions. Any charitable contribution, grant or endowment or pledge by the Company to a charitable organization, foundation or university as to which a Related Person's only relationship is as an employee (other than as an executive officer) or a director, if the aggregate amount involved does not exceed the lesser of \$1,000,000, or 2 percent of the charitable organization's total annual receipts.
  - vi. Transactions where all stockholders receive proportional benefits. Any transaction where the Related Person's interest arises solely from the ownership of the Company's common stock and all holders of such

common stock receive the same benefit on a pro rata basis (e.g., dividends).

- vii. Transactions involving competitive bids. Any transaction involving a Related Person where the rates or charges involved are determined by competitive bids.
- viii. Certain financial services. A transaction in the ordinary course of business involving the provision of certain financial services (e.g., services as a bank depository of funds, transfer agent, registrar, trustee under a trust indenture, or similar services) on terms and conditions that are customary for such services.

### **Committee Composition and Functions**

**28. Committees.** It is the general policy of the Company that all major decisions be considered by the Board as a whole. As a consequence, the committee structure of the Board is limited to those committees considered to be basic to, or required or appropriate for, the operation of the Company. Currently these committees are the Audit Committee, Human Resources Committee, Corporate Governance and Sustainability Committee and Quality and Innovation Committee.

The members and Chairs of these committees are recommended to the Board by the Corporate Governance and Sustainability Committee. The membership of these committees may be rotated from time to time. The committees will have such number of independent directors as required by the NYSE corporate governance listing standards, taking into account all applicable phase-in rules and exceptions thereto, as well as any applicable legal and/or regulatory requirements, and in accordance with section 4 above. Members of the Audit and Human Resources Committees are subject to heightened independence standards that are set forth in those committees' respective Charters.

**29. Meeting Conduct.** The mode, frequency and length of and agendas for meetings of each committee are determined by the Chair of the committee. Sufficient time to consider the agenda items is provided. Materials related to agenda items are provided to the committee members sufficiently in advance of the meeting to allow the members to prepare for discussion of the items at the meeting.

**30. Committee Meetings.** At the invitation of any of the committees, members of Senior Management and other employees recommended or approved by the Chief Executive Officer shall attend committee meetings or portions thereof for the purpose of participating in discussions. Generally, presentations of matters to be considered by the committees are made by the manager responsible for that area of the Company's operations.

**31. Scope of Responsibilities.** The responsibilities of each committee are determined by the Board from time to time, subject to applicable legal requirements, and shall be set forth in each Committee's Charter.

**32. Annual Committee Self-Evaluation.** Each Committee is responsible for conducting an annual performance self-evaluation.

### **Periodic Review of Corporate Governance Principles**

**33.** These principles shall be reviewed by the Corporate Governance and Sustainability Committee and approved by the Board at least annually.

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