



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REVIEW

2019

*zoetis*



# ZOETIS ENVIRONMENTAL, SOCIAL AND GOVERNANCE REVIEW

This document provides information about our environmental, social and governance (ESG) initiatives and related key performance indicators and seeks to align our disclosure with the Sustainability Accounting Standards Board (SASB) Health Care – Biotechnology & Pharmaceutical industry standards and the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Going forward, we intend to bolster our ESG program, consider stakeholder feedback and continue to enhance our disclosure using these frameworks.

For more information about our sustainability efforts, see our [Building a Healthier Future 2019 Corporate Social Responsibility Highlights](#).



**Kristin Peck**, CEO of Zoetis, visits a poultry hatchery with members of the Zoetis board of directors, including **Dr. Willie Reed**, **Dr. Linda Rhodes** and **Juan Ramon Alaix**.

## ABOUT US

Zoetis is the leading animal health company dedicated to supporting our customers and their businesses. Building on more than 65 years of experience, we discover, develop, manufacture and commercialize medicines, vaccines, diagnostics and other animal health solutions. We are working every day to enhance the care and wellbeing of animals.

Our name, Zoetis (zō-EH-tis), has its root in zo, familiar in words such as zoo and zoology and derived from zoetic, meaning “pertaining to life.” It signals our company’s dedication to supporting the world’s veterinarians, livestock producers and pet owners who raise and care for the animals we depend on.

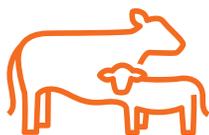
## ABOUT OUR ESG PROGRAM

The world depends on animals for companionship, comfort and nutrition. At Zoetis, we’re committed to the health of animals and supporting the people who care for them. Healthier animals will help create a healthier future for people and our planet. We contribute to that goal by supporting the communities where we operate, innovating in animal health, and protecting the environment.

Sustainability, one of our five core business priorities, is embedded into the way we operate through our strategic decision-making, business processes and formal commitments to ESG responsibilities as we continue to work with our customers and communities to reach our common goals for a more sustainable world.

Leadership of ESG starts with our Board of Directors, CEO and senior management and cascades across our enterprise. Our Head of Sustainability helps define the ESG agenda and provides daily management and oversight of our global ESG initiatives and goals.

We are committed to continually improving our ESG program, including seeking input from stakeholders in an upcoming materiality assessment. In early 2021, we will share more about our goals and how they align with United Nations Sustainable Development Goals, and we will report on 2020 and progress to date in the first half of 2021.



8

core species supported by Zoetis—cattle, swine, poultry, fish, sheep, dogs, cats and horses



7

major categories of Zoetis products – vaccines, anti-infectives, parasiticides, other pharmaceutical products, dermatology, medicated feed additives and animal health diagnostics



27

global manufacturing sites – all dedicated to delivering a reliable supply of quality products



300

approximate comprehensive product lines



1,100

approximate R&D colleagues



3,200

approximate field force members (sales representatives and veterinary technical representatives)

### ACTIVITY METRICS

TOPIC	2019	2018	2017
Number of patients treated <i>SASB: HC-BP-000.A</i>	Not applicable for animal health		
Number of drugs (1) in portfolio and (2) in research and development (Phases 1-3) <i>SASB: HC-BP-000.B</i>	1) As disclosed in our Form 10-K, we have approximately 300 comprehensive product lines		
	2) Phases 1-3 are not applicable for animal health. For competitive reasons, we are not reporting number of products in R&D		
Revenue	\$6.260B	\$5.825B	\$5.307B
Full-time equivalent	Approximately 10,600. 5,000 in U.S. and 5,600 in other jurisdictions	Approximately 10,000. 4,500 in U.S. and 5,500 in other jurisdictions	Approximately 9,200. 3,950 in U.S. and 5,250 in other jurisdictions
Global manufacturing sites	27	25	25
R&D investments (expense)	\$457M	\$432M	\$382M



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# ENVIRONMENT

## ENVIRONMENTAL POLICIES

### TOPIC

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#### [Policy on Sustainability](#)

Environmental, Health and Safety (EHS) Management System

All sites are required to maintain an EHS Management System, as defined by our EHS Policy Standard. This Standard covers all aspects of an EHS Management System, which include, but are not limited to: Compliance; Risk Assessment; Objective Setting; Competency and Training; Communications; Management of Change; Monitoring and Self Audit. In addition to our internal EHS Management System, two of our sites - Catania, Italy and Suzhou, China - are ISO 14001 certified.

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## CLIMATE CHANGE RISKS AND OPPORTUNITIES (TCFD)

### TOPIC

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Governance

Our Board of Directors has determined that oversight of our overall sustainability program is most effective at the Board level. The Board is increasingly focused on our sustainability strategy as we have designated sustainability as one of our strategic priorities. The Board will continue to provide guidance regarding sustainability goals and the overall sustainability strategy and will monitor our progress in environmental, social and governance areas, including climate change, in order to enable sustainable growth over the long term. The Board receives regular updates on our enterprise risk management program, including risks related to climate change. The Board also exercises its oversight of environmental, social and governance issues through its committees and receives regular updates from its committees regarding their respective areas of oversight. For additional information about how our Board committees oversee ESG, see our [2020 Proxy Statement](#).

Given the importance of sustainability, including effective management of climate-related risks, to our core strategy, we recently created a new Head of Sustainability position and hired a seasoned executive as our first Sustainability leader reporting to our Chief Medical Officer.

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Strategy

#### **Climate change risks and opportunities**

We monitor potential impacts of climate change and evaluate efforts to combat climate change on our operations and strategy. We consider the potential impact climate change could have on our globally diverse network of manufacturing sites, Veterinary Medical Research and Development (VMRD) locations, and customer distribution centers. We have identified climate change as one factor with the potential to negatively impact our customers' operations, particularly those in the livestock industry, through climate-related impacts such as increased air and water temperatures, rising water levels and increased incidence of disease in livestock. If such events affect our customers' businesses, they may purchase fewer Zoetis products, and our revenues may be negatively impacted. In addition, we have identified the ongoing risk of new or expanded laws and regulations, including those related to environmental, health and safety, on our business, and this risk incorporates any legal and regulatory changes aimed at decreasing or delaying global warming. These risks are part of our enterprise risk management program described below.

Opportunities include reductions in operating costs resulting from efficiency improvements, increased demand for innovative products and services to support customer sustainability objectives, increased need for new medicines as animals experience new health challenges related to climate impact, and increased revenues through demand from new and emerging markets as disease patterns shift.

### **Climate-related risks and strategic planning**

Climate-related risks and opportunities have influenced our strategy. To mitigate the possible physical impacts of climate change on our operations (e.g., more severe weather events, population displacement, etc.), we have taken steps to voluntarily reduce our greenhouse gas emissions and energy consumption. Through our public disclosures and engagement with the Business Roundtable and the Pharmaceutical Supply Chain Initiative, we aim to influence other companies to also drive reductions in their emissions.

As part of our commitment to protect our planet by minimizing our contribution to climate change, Zoetis has established a baseline of carbon emissions for our global manufacturing sites. We strive to improve sustainability at our sites by integrating energy efficiency measures in key manufacturing processes and equipment and sourcing renewable energy through Power Purchase Agreements. In addition, we plan to adopt more remote working practices to reduce non-essential travel and provide colleagues options for electric or hybrid cars.

From an operations perspective, we have a robust and proactive process to assess risk and lessen environmental impacts in our operations, including mitigating active pharmaceutical ingredients (API) releases to the environment; energy and waste minimization projects; and scenario plans for weather events.

From an R&D and Commercial Development perspective, environmental factors will be a greater part of the upfront considerations in our product development processes. We will use an environmental lens in early planning along with a variety of other factors to evaluate the carbon impact of our products and will engage with stakeholders to explore markets for environmentally preferable products.

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#### Risk Management

### **Process for identifying, assessing, and managing climate-related risks**

We maintain an enterprise risk management program (ERM) consistent with industry leading practices, to standardize, simplify, and improve the process of identifying, assessing, managing, monitoring, and reporting enterprise level risks across Zoetis. Our ERM program focuses on enterprise level risks that may impact Zoetis' strategic objectives, business operations, financial position or reputation. Understanding the risks and opportunities facing Zoetis' business, assessing exposure, and taking appropriate action is essential to preserve and maximize Zoetis' long-term value.

With the support of the new Head of Sustainability, the ERM program will increasingly focus on the impact of our operations on the climate (e.g., our greenhouse gas emissions) as well as the potential impact of climate change on our business including potential business disruptions resulting from severe weather events (tornadoes, wildfires, floods), higher temperatures that could impact the availability of land suitable for raising livestock, new or expanded laws and regulations enacted to address climate change, as well as other potential climate-related disruptions to our business and our customers' operations.

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## ENERGY AND GREENHOUSE GAS EMISSIONS

TOPIC <sup>1</sup>	2019	2018	2017
Scope 1 emissions (metric tons CO <sub>2</sub> e)	82,036	83,942	73,391
Scope 2 emissions (metric tons CO <sub>2</sub> e)	217,515	205,166	193,434
Scope 1 and 2 emissions (metric tons CO <sub>2</sub> e)	299,551	289,108	266,825
Scope 1 and 2 emissions intensity (metric tons CO <sub>2</sub> e/\$1MM revenue)	48	50	50

Efforts to reduce and manage energy use and greenhouse gas emissions

 **4%** 2017-2019 EMISSIONS INTENSITY

We are committed to reducing our energy use and associated greenhouse gas emissions. To achieve this, we have invested in high efficiency air compressors, chillers, boilers and LED lighting, are optimizing operating processes in air ventilation and chilling systems and are focusing on procuring renewable energy. Three of our international sites are currently operating with 100% renewable energy.

While our absolute emissions have increased due to increased demand for our products, our emissions intensity decreased by 4% from 2017 to 2019. To continue to meet our customers' needs, we have purchased facilities and increased production volume; however, even as we grow, we are dedicated to reducing our environmental impact.

<sup>1</sup> These metrics cover our Global Manufacturing and Supply, Veterinary Medicine Research and Development, and other operations not including stand-alone office spaces. These emissions account for more than 99% of our operational emissions.

## WATER

TOPIC <sup>1</sup>	2019	2018	2017
Water intake (cubic meters)	3,154,525	2,906,630	2,812,930
Water discharge (cubic meters)	2,843,500	2,447,421	2,139,789
Water intake intensity (cubic meters/\$1MM revenue)	503	499	530
Water discharge intensity (cubic meters/\$1MM revenue)	454	420	403

Efforts to reduce water use

 **5%** 2017-2019 WATER INTAKE INTENSITY

 **11%** 2017-2019 WATER DISCHARGE INTENSITY

To reduce our water intake, we have invested in improved technology such as closed loop cooling systems, identified opportunities to reduce and reuse water in our processes and implemented other efficiency measures. We are committed to improve our water discharge and continue to test new technologies. For example, improvements at one site have resulted in 30% reduction in wastewater sent for thermal treatment.

<sup>1</sup> These metrics cover our Global Manufacturing and Supply, Veterinary Medicine Research and Development, and other operations not including stand-alone office spaces.

## SOLID WASTE

TOPIC <sup>1</sup>	2019	2018	2017
Solid waste (kilograms)	6,552,808	6,939,145	10,377,588
Solid waste recycled (kilograms)	3,458,398	2,410,932	2,510,133
Solid waste intensity (kilograms/\$1MM revenue)	1,047	1,191	1,955
Solid waste recycled intensity (kilograms/\$1MM revenue)	552	414	473

Efforts to reduce and manage solid waste

↓ **87%** SOLID WASTE INTENSITY

↑ **14%** RECYCLING RATE OF SOLID WASTE

We have reduced solid waste through operational excellence projects and a changing product mix. We have increased recycling by identifying opportunities to separate and recover recyclable materials from construction debris and convert waste to energy instead of landfilling.

## HAZARDOUS WASTE

TOPIC <sup>1</sup>	2019	2018	2017
Hazardous waste (kilograms)	9,767,557	9,631,419	9,025,985
Hazardous waste recycled (kilograms)	3,435,962	1,973,122	1,879,104
Hazardous waste intensity (kilograms/\$1MM revenue)	1,560	1,653	1,701
Hazardous waste recycled intensity (kilograms/\$1MM revenue)	549	339	354

Efforts to reduce and manage hazardous waste

↓ **9%** HAZARDOUS WASTE INTENSITY

↑ **35%** RECYCLING RATE OF HAZARDOUS WASTE

We maintain an EHS Policy Standard: Waste and Surplus Material Management that defines performance expectations for proper management of wastes. We also maintain a Global Resource Document to prevent releases to soil, groundwater or surface water.

We have reduced hazardous waste by optimizing operating processes and expanding on-site treatment capabilities for biological waste generated in our R&D activities. We have increased our recycling rate by projects including a land application program for manure waste to be used as fertilizer.

<sup>1</sup> These metrics cover our Global Manufacturing and Supply, Veterinary Medicine Research and Development, and other operations not including stand-alone office spaces.



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# WORKFORCE

## EMPLOYEE RECRUITMENT, DEVELOPMENT & RETENTION

### TOPIC

Discussion of talent recruitment and retention efforts for scientists and research and development personnel

SASB: HC-BP-330a.1

We employ a variety of career development, employee benefits, policies and compensation programs designed to attract, develop and retain our colleagues.

**R&D Talent Processes** – Our R&D team promotes open roles for scientists and research and development personnel through scientific associations and forums and leverages a variety of R&D-specific talent tools, including Opportunity Finder, to help colleagues find opportunities to further develop technical skills and knowledge. Our R&D organization also offers flexible work arrangements to promote the retention and facilitate technical knowledge transfer as colleagues approach retirement.

**Your Development Matters** – Our Your Development Matters talent portal contains a customized, self-paced curriculum that helps colleagues pursue individual development goals with the support of the organization and their manager.

**Mentoring Programs** – Our mentoring programs, including one exclusively for women, help colleagues succeed and advance through enhanced business acumen and self-awareness and constructive feedback. Women in our R&D and manufacturing organizations may participate in a formal mentoring process. In 2019, this program had more than 100 female mentees and 35 mentors (18 women/17 men).

**Talent Profiles** – Each colleague is encouraged to complete a “Talent Profile” in our HR Information System to provide visibility into professional background, education, skills, interests and desire to travel or relocate. These profiles support succession planning and talent discussions.

**Opportunity Finder** – This program matches global R&D talent with development assignments to grow their careers and alert the organization to interests.

**Zoetis Core Competencies** – These skills and behaviors have been defined as important to success at Zoetis. They provide a practical tool to evaluate and develop more effective career planning. Colleagues have access to a 360-feedback tool and leadership development programs such as recruitment and selection, DISC® type assessment, career development, performance management, emotional intelligence and more.

We are proud of being recognized as a top employer by esteemed publications and organizations, listed on our [Awards & Recognitions page](#).

(1) Voluntary and (2) involuntary turnover rate for: (a) executives/senior managers, (b) mid-level managers, (c) professionals and (d) all others (U.S.)

SASB: HC-BP-330a.2

	VOLUNTARY	INVOLUNTARY
Executives/senior managers	0.1%	0.1%
Mid-level managers	0.3%	0.2%
Professionals	2.4%	0.8%
All others	4.8%	1.5%

Partnerships with educational institutions	<p>Our partnerships create opportunities for our leaders to build awareness of Zoetis and the animal health industry and to engage with students at the high school, college and post-graduate levels.</p> <p>We are a strong supporter of the <a href="#">National FFA Organization</a>, which prepares youth for leadership and careers in science, business and technology of agriculture.</p> <p>We are a sponsor of <a href="#">INROADS</a> College Links program in Newark, N.J. which prepares underrepresented minority students at the high school level for college and introduces them to potential careers and required curricula, including careers in STEM and veterinary medicine.</p> <p>We also have long-standing partnerships with colleges of veterinary medicine to support leadership and diversity among future veterinarians. As part of our commitment to the future of the veterinary industry, we have given more than \$7 million in scholarship funds through the <a href="#">Zoetis Veterinary Student Scholarship Program</a>.</p>
Employee development	<p>We have onboarding curriculum to help new colleagues succeed in their first days, weeks and months. Our various business units and functions provide job-specific development and training programs.</p> <p>These include field force effectiveness training, sales foundations for new colleagues, and training related to the species group the colleague serves in our U.S. Operations teams; Quality, Engineering and Operations training in Manufacturing; and, for R&amp;D, job specific online training and content including Standard Operating Procedures (SOPs), Systems, and Safety training. Much of the R&amp;D training occurs on-the-job, with many roles including mentorship by more experienced peers to facilitate skill development.</p> <p>We track participation in many of our training programs as well as our investment in training. In 2019, over 900,000 trainings were completed across our business globally. Our annual training spend is approximately \$1.5 million.</p>
Leadership development training	<p>We offer multiple leadership development programs. The President's Leadership Development Program (PLDP) develops high-potential colleagues in our U.S. Operations into future leaders. With a year-long Action Learning Program, the PLDP engages colleagues in teams to work on a real business-critical project outside of their normal job scope. Mentoring is provided by senior leadership to enhance skills and capabilities, and participants engage in "learning-reflection" activities. At the conclusion of the year-long program, participants emerge as advanced leaders, demonstrating greater business acumen, business savvy and overall success.</p> <p>In 2019, 53% of PLDP participants were women, and half of these women advanced their careers during the program, either through promotions or job changes.</p> <p>Additionally, the Leadership Essentials program – a new program launched in 2019 for first-line field managers and managers in newly acquired business (typically colleagues new to people management) – is focused on building and motivating successful teams. The curriculum stresses the importance of diversity through topics on recruitment and selection, leadership behavior assessment, career development, performance management, emotional intelligence and more. Half of the participants were women in 2019.</p>
Employee performance reviews	<p>We measure performance against objectives established annually at the company, organization, and individual level. Individual objectives focus on 2 to 3 critical priorities plus day-to-day job responsibilities. Separately, colleagues define career goals and plan experiences to reach them with an Individual Development Plan.</p> <p>Managers and colleagues meet yearly to discuss performance against objectives, and managers can provide an optional written evaluation.</p>

## EMPLOYEE ENGAGEMENT & OPEN FEEDBACK CULTURE

### TOPIC

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Employee engagement	<p>We assess colleague engagement and key drivers enabling organizational performance by regularly conducting employee engagement surveys. In 2020, the survey was conducted in 3 waves, inclusive of all colleagues. Prior to 2020, we conducted the survey every 2 years.</p> <p><b>Our engagement rate based on the first wave of the 2020 survey was 90%, in 2018 it was 85%, and in 2016 it was 81%.</b></p>
Grievance escalation and reporting process	<p>We value responsibility and integrity. Our Code of Conduct contains general guidelines for conducting business with the highest standards of ethics. We are committed to an environment where open, honest communications are the expectation, not the exception. We want colleagues to feel comfortable in approaching their supervisor or management in instances where they believe violations of policies or standards have occurred. In situations where colleagues prefer to place an anonymous report in confidence, they are encouraged to use our ethics hotline, hosted by a third-party hotline provider, EthicsPoint. Colleagues are encouraged to submit reports relating to violations stated in our Code of Conduct, as well as asking for guidance related to policies and procedure and providing positive suggestions and stories.</p>
Open feedback culture	<p>We have an Open Door Policy where colleagues are encouraged to present ideas, concerns, questions, problems or suggestions directly to any level of leadership within Zoetis, without fear of retaliation.</p>

## BENEFITS & COMPENSATION

### TOPIC

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Benefits (U.S.) <sup>1</sup>	<p>We are proud to offer competitive and comprehensive healthcare and retirement savings benefits along with inclusive policies to support our U.S. colleagues' diverse needs. Our benefits include family-focused programs such as subsidized back up childcare, concierge-level coordination for caregivers, multiple programs for parents with school-age children, including college application assistance and discounted tutoring. Our fertility, surrogacy and adoption benefits support opposite- and same-sex couples and single people who want to grow their families. In addition, starting in 2020, colleagues are provided with one day of paid time off to volunteer for a nonprofit organization of the colleague's choice.</p> <p>Our U.S. Tuition Reimbursement Program supports colleagues who are continuing their education to seek a bachelor's or graduate degree. In 2020, the program reimburses full-time eligible employees up to \$15,000 annually and part-time colleagues up to \$5,000 annually for tuition and other eligible expenses at approved schools. In 2019, 155 colleagues (49% were women) received tuition reimbursement, an increase of 6% from 2018.</p> <p>In addition, we offer benefits and programs to support colleague well-being, from health and financial wellness to family and lifestyle resources. Colleagues are eligible for Zoetis health, insurance and personal benefit plans if they are a U.S. or Puerto Rico colleague working full- or part-time (regularly scheduled to work at least 40% of a standard work week).</p>
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<sup>1</sup>Prior to implementing our new policy in 2020 as described above, the week of Caregiver leave provided to all new parents (mothers and fathers) was not tracked. Data is only available for colleagues who took maternity short-term disability, Family and Medical Leave Act (FMLA), or paid and unpaid parental leave tracked through our leave administrator.

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Parental leave

In 2020, we introduced fully paid U.S. Parental Leave, providing all colleagues 6 weeks of 100% paid leave after welcoming a child. Birth mothers continue to receive additional fully paid short-term disability benefits, and the primary adoptive parent receives an additional 6 weeks of paid leave through our Adoption Paid Leave of Absence. We continue to provide all colleagues an additional one week of paid Caregiver Leave per year to care for children, parents or other family members with caregiving needs.

We also offer phased return to work following parental leave, which allows new parents the flexibility to ease back into their full-time job over.

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Parental leave metrics (U.S.)<sup>2</sup>

	2019		2018		2017	
	Female	Male	Female	Male	Female	Male
Parental leave	83	12	66	5	61	6
Adoption leave	1	1	2	2	0	0

In 2020, 69 female colleagues and 55 male colleagues took parental leave.<sup>3</sup>

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Equitable compensation

We're committed to maintaining an inclusive environment where every colleague can thrive. In 2017, we performed our first internal review of pay practices to ensure gender pay equity, and this initial review confirmed no material or unexplainable pay gaps based on gender. In 2020, we expanded this internal review of pay practices beyond gender to include race/ethnicity across our U.S. colleagues. The 2020 review similarly confirmed that there were no noteworthy or unexplainable pay gaps related to gender or race/ethnicity. Our compensation practices and processes include safeguards to ensure that salaries established when colleagues are hired, promoted or awarded annual salary increases consider relevant factors such as experience, qualifications, performance and applicable market salary data to ensure pay equity across our colleagues.

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<sup>1</sup>As of 9/30/20.

<sup>2</sup>Benefits described are for colleagues based in the U.S. We will consider reporting additional details in subsequent reports.

**“As we strive to make Zoetis a more inclusive, welcoming company where everyone feels valued and included, our colleagues make the difference in our ability to drive change within our company as we embrace diversity to improve the quality of our innovation and collaboration.”**

**Evelyn Ortiz**  
Chief Talent, Diversity, Equity & Inclusion Officer



## DIVERSITY & INCLUSION

### TOPIC

Workforce demographics

#### Gender diversity

**50% of our executive team members are women**

EEO CATEGORY	FEMALE	MALE
Exec/Sr. Manager	30%	70%
Mid-Level Manager	33%	67%
Professionals	49%	51%
All Other	46%	54%

U.S. ETHNICITY	EXEC/SR. MANAGER	MID-LEVEL MANAGER	PROFESSIONALS	ALL OTHER
White	83.7%	85.0%	79.8%	78.1%
Black/African American	3.0%	3.2%	2.7%	5.6%
Hispanic/Latino	3.7%	2.9%	3.9%	5.5%
Asian	6.7%	7.8%	12.0%	7.9%
Mixed Race	2.2%	0.9%	1.0%	1.2%
All Other	0.7%	0.3%	0.7%	1.6%

Diversity & inclusion programs

Our diversity, equity & inclusion (DE&I) strategy is managed by our Talent, Diversity & Inclusion Center of Excellence, led by our Chief Talent, Diversity, Equity & Inclusion Officer, reporting to our Chief Human Resources Officer. Our DE&I strategy is reviewed with the executive leadership team and Board of Directors each year, and we review our progress on DE&I initiatives quarterly, including our workforce gender and race/ethnicity representation.

We will work to achieve our DE&I aspirations to accelerate inclusion, equity and more diverse representation across Zoetis through targeted recruitment efforts and partnerships with educational institutions, and DE&I education for our colleagues.

To learn more about our DE&I efforts, including our D&I Council, Colleague Resource Groups, and partnerships, see our [Diversity, Equity and Inclusion](#) webpage.

## EMPLOYEE HEALTH & SAFETY

### TOPIC

#### Health & safety metrics

We track health and safety performance metrics total injury rate (TIR), lost time injury rate (LTIR), restricted work injuries and medical treatment injuries on a monthly basis for all manufacturing and VMRD sites, as well as for U.S. offices, field force, fleet and logistics. Since 2018, we have tracked TIR and LTIR for all our operations worldwide. Our safety programs have resulted in strong safety performance, with TIR and LTIR rates lower than the industry averages (U.S. averages in 2018 were 1.6 for TIR and 0.4 for LTIR).

METRIC	2019	2018	2017 <sup>1</sup>
TIR	0.82	0.68	-
LTIR	0.24	0.21	-

#### Health & safety program

We are committed to ensuring a safe working environment for our colleagues, and our Global EHS Policy standards define EHS performance requirements for each site, procedures and recommended practices. Our sites have injury prevention programs, and we strive to build best-in-class safety culture. Our procedures emphasize the need for the cause of injuries to be investigated and for actions plans to be implemented to mitigate potential recurrence.

We regularly conduct internal and external site audits according to risk assessments.

We maintain an EHS auditing program for internal sites and external suppliers of active pharmaceutical ingredients (API) and finished goods. For external suppliers and contractors, we maintain and audit against internal EHS guidelines.

<sup>1</sup>Data only tracked locally prior to 2018.



# ANIMAL HEALTH PRODUCT SAFETY, RESEARCH AND QUALITY ASSURANCE

## SAFETY OF CLINICAL TRIAL PARTICIPANTS

### TOPIC

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Discussion, by world region, of management process for ensuring quality and patient safety during clinical trials

SASB: HC-BP-210a.1

*As an animal health company, our clinical trials involve animals. With that in mind, we refer to owners of animals in the following descriptions.*

#### **Oversight of clinical research organization's quality and safety systems**

Our quality and safety programs for clinical research include standardized operating procedures (SOPs) for study conduct, training and qualification of personnel, and audits of contract research organizations (CROs), clinical processes, investigator sites, and study documentation.

#### **Discussion management process for CROs**

All pivotal / non-pivotal clinical research is appropriately monitored by scientific staff. Additionally, CROs which are pivotal to clinical research are vetted by the quality assurance program and include legal oversight and third-party risk assessment, if necessary.

#### **Discussion nature and terms of monetary incentives used by the CROs**

Costs for each study are allocated on a study by study basis and based on work conducted or milestones reached, e.g., veterinary surgeon (investigator) and owner payment for each visit completed or investigator payment for reaching target number of successfully enrolled cases.

#### **Discussion of process for obtaining informed consent from participants**

Owner consent is documented either in an Owner Consent document or by signature on the Protocol when the Investigator owns the animals or the CRO owns the animals and the Investigator is acting as their agent.

#### **List all clinical trials that were terminated for failure to follow good clinical practices standards**

None in the last 10 years.

#### **List all clinical trials terminated, whether the decision was made by investigators or study sponsor, and whether it was made with or without the input of a data monitoring committee**

Multiple studies have been cancelled or terminated due to project specific reasons (technical/commercial) over the past 10 years. No studies have been cancelled/terminated due to safety reasons or due to the decision of an internal data monitoring committee.

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Number of FDA Sponsor Inspections related to clinical trial management and pharmacovigilance that resulted in: (1) Voluntary Action Indicated (VAI) and (2) Official Action Indicated (OAI)

SASB: HC-BP-210a.2

No FDA Form 483 received over the last 3 years for clinical program in animal health. VAI and OAI procedures are not applicable to animal health trials or pharmacovigilance reporting.

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Total amount of monetary losses as a result of legal proceedings associated with clinical trials in developing countries

SASB: HC-BP-210a.3

Not reported

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## Clinical trial program ethics

For each study involving client owned animals, we identify an appropriately experienced Sponsor Representative to act on our behalf as the Sponsor, and to be ultimately accountable for all aspects of study execution, including that of ethical conduct. This requirement is defined within study type-specific Standard Operating Procedures (SOPs) including the requirements for the study to be conducted both in accordance with our [Policy on Animal Care and Welfare](#) and with relevant local or national regulatory requirements. Our global Animal Care and Ethics Council has a Guideline for clinical studies that outlines further requirements for ethical conduct, including the need for written contracts, written informed consent, an existing VCPR (veterinary client patient relationship) and prior ethical review. This framework of requirements, in conjunction with the VMRD managerial line structure, gives robust responsibility for, and assurance of, ethical conduct in any study involving client owned animals.

All studies involving client owned animals are reviewed by a panel of objective experts, in accordance with our Policy on Animal Care and Welfare. The requirement for ethical review and conduct of such clinical studies is further defined within a specific Zoetis global Animal Care and Ethics Council that also indicates that site specific committees are responsible for such review. This requirement for prior ethical review for all studies involving client owned animals is additionally reinforced within VMRD study type-specific study conduct SOPs.

Only qualified personnel conduct our studies, follow appropriate SOPs and a training system. For pivotal studies, our quality assurance system includes audits of CROs, clinical processes, investigator sites and study documentation.

We have an obligation to monitor studies on a regular basis to ensure protocol adherence. Beyond that, we have a regulatory obligation to report all adverse events through the study report if an investigational product is used. If an approved veterinary product is used on a study, issues are reported through the Zoetis Global Pharmacovigilance (PV) group and they would report to regulatory authorities as applicable, including outcomes, violations and corrective actions. PV reporting requirements are determined by legislation and agency requirements, including frequency of reporting, timing of reporting and documentation of adverse events.

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## ACCESS TO MEDICINES

### TOPIC

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Description of actions and initiatives to promote access to health care products for priority diseases and in priority countries as defined by the Access to Medicine Index

*SASB: HC-BP-240a.1*

The Access to Medicines Index is for human health and not relevant to Zoetis as an animal health company.

List of products on the WHO List of Prequalified Medicinal Products as part of its Prequalification of Medicines Programme (PQP)

*SASB: HC-BP-240a.2*

None of our products are on the WHO List of Prequalified Medicinal Products.

Underserved markets

Our [African Livestock Productivity and Health Advancement \(A.L.P.H.A.\)](#) initiative, in partnership with the Bill & Melinda Gates Foundation helps improve livestock health and positively impact farmers' livelihoods by increasing access to quality veterinary medicines and services, diagnostic laboratory networks, and animal health training in sub-Saharan Africa.

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## AFFORDABILITY & PRICING

### TOPIC

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Number of settlements of Abbreviated New Drug Application (ANDA) litigation that involved payments and/or provisions to delay bringing an authorized generic product to market for a defined time period

Not applicable

*SASB: HC-BP-240b.1*

Percentage change in: (1) average list price and (2) average net price across U.S. product portfolio compared to previous year

We price our products, globally, according to the competitive market and how our customers value the benefits they receive. From 2018-2019, we achieved 10% operational revenue growth due in part to price growth of approximately 2%. From 2017-2018, price growth was approximately 3%. From 2016-2017, price growth was approximately 1% (excluding dermatology).

*SASB: HC-BP-240b.2*

Percentage change in: (1) list price and (2) net price of product with largest increase compared to previous year

Not reported

*SASB: HC-BP-240b.3*

## PRODUCT SAFETY

### TOPIC

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List of products listed in the Food and Drug Administration's (FDA) MedWatch Safety Alerts for Human Medical Products database

None of our products are on the Medwatch database, nor among the EMA alerts. We do monitor these human health databases and equivalent veterinary agency databases for any potential animal impacts.

*SASB: HC-BP-250a.1*

Number of fatalities associated with products as reported in the FDA Adverse Event Reporting System

All Zoetis adverse events are collected and entered into the Zoetis global enterprise-wide adverse event database. We report all adverse events as appropriate to global regulatory agencies in accordance to reporting requirements. Major regulatory agencies such as FDA and EMA publish reported information on their applicable websites for animal health medicines and vaccines.

*SASB: HC-BP-250a.2*

Number of recalls issued, total units recalled

We record, assess, investigate and review potential quality defects, and if necessary, effectively and promptly recall products from our distribution network in consultation with Competent Authorities.

*SASB: HC-BP-250a.3*

Our quality assurance procedures emphasize the need for the cause of quality defect to be investigated and determined, and that appropriate preventative actions are put in place to guard against recurrence.

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Total amount of product accepted for take-back, reuse, or disposal

SASB: HC-BP-250a.4

We are not able to report on this metric per the SASB methodology. We are evaluating opportunities to provide this disclosure in future reports.

**Direct Customers in the U.S.**

To manage expired products, we provide our direct clinic customers options to properly dispose of expired products:

- Return for Destruction & Credit – we provide pre-paid shipping labels so veterinary clinics may return expired product to our U.S. Logistics Returns Center. Once on-site, returned product is inspected, documented and ultimately destroyed following applicable waste management regulations.
- Credit & Destroy on Site – As an alternative to physically returning expired product, veterinary clinics can destroy via their own medical waste streams

**Distribution Customers in the U.S.**

Distribution partners can receive credit for expired product provided it is shipped to our U.S. Logistics Return Center. Destruction is conducted following all applicable waste management regulations. In addition to handling destructions from Distribution partner warehouse related Zoetis products that expire, these Distribution customers will accept returns from their own Veterinary Clinic Customers and isolate Zoetis-sourced products for return to us.

**Consumers in the U.S.**

Zoetis has been a long-standing member of the [Pharmaceutical Product Stewardship Work Group \(PPSWG\)](#), an External Pharmaceutical Industry Association with a significant focus on take-back and safe disposal of product.

The PPSWG was formed to address the complexities and uncertainties of new laws that govern the disposal of unused and unwanted pharmaceutical products. PPSWG members have developed a framework for addressing these laws through active member engagement and MED-Project, a safe, effective and compliant household medicines and sharps take-back programs on behalf of its member companies. PPSWG's mission is to provide infrastructure, guidance, and subject matter expertise to support member compliance and improve awareness of existing pharmaceutical disposal options.

For Controlled Substances, all returns are processed through our warehouse specifically licensed with the DEA to handle Zoetis SKUs with a Controlled Substance classification.

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Number of FDA enforcement actions taken in response to violations of current Good Manufacturing Practices (cGMP), by type

SASB: HC-BP-250a.5

Not reported

We track health authority inspection critical observations, recalls, warning letters and infraction/advice letters from the FDA and provides regular updates to the Zoetis Leadership Team and Global Manufacturing & Supply Quality Council.

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Product quality and safety program	<p>Global Pharmacovigilance operates under a Corporate Policy for Adverse Event Reporting. We conduct annual, mandatory Pharmacovigilance (PV) training for all colleagues and contractors to assure PV requirements are understood and that we uphold our commitment to product safety and reporting compliance.</p> <p>With quality in the forefront of our commitments, Zoetis has established appropriate controls and process for the manufacturing of our products to ensure they are fit for their intended use, comply with the requirements of the Marketing Authorization, and demonstrate adequate safety, quality and efficacy. A Quality Management System also ensures that our products are of the quality required for their intended use.</p> <p>In addition, product testing is described in the marketing authorization and technical dossiers approved by health authorities and is carried out according to approved testing methods. The necessary and relevant product testing is carried out to control the quality of our products. Testing is performed on each lot to support product release to markets. Product stability testing programs are also in place to monitor the quality of the product over its shelf life.</p>
Antibiotic stewardship	<p>To protect the health of animals and people, we emphasize reducing the need to use antibiotics, and we promote responsible use of antibiotics in animals when disease occurs. We collaborate with stakeholders around the world to foster responsible use and veterinary involvement when antibiotics are used to preserve their effectiveness for decades to come.</p> <p>For additional information about our antibiotic stewardship efforts, see the Innovation &amp; Antibiotic Stewardship section of our <a href="#">2019 Corporate Social Responsibility Highlights</a> and our <a href="#">Position on Responsible Use of Antibiotics in Animals</a>.</p>

**ETHICAL MARKETING**

**TOPIC**

Total amount of monetary losses as a result of legal proceedings associated with false marketing claims      Not reported

*SASB: HC-BP-270a.1*

Description of code of ethics governing promotion of off-label use of products      The [Zoetis Code of Conduct](#) mandates that all promotional materials and communications must be accurate, not misleading, and compliant with all applicable legal and regulatory standards, including any applicable standards addressing off-label promotion, substantiation, scientific rigor and fair balance. Colleagues in sales, marketing, veterinary medical services and regulatory functions are trained on, and must comply with, local or regional policies with respect to labeling, promotional programs, product samples and other related topics. Regulatory review committees are used on a regional basis to review and approve marketing and promotional materials prior to their use. Compliance with policy is subject to internal audits, and policy violations may result in disciplinary actions, up to and including colleague termination.

*SASB: HC-BP-270a.2*

## COUNTERFEIT DRUGS

### TOPIC

Description of methods and technologies used to maintain traceability of products throughout the supply chain and prevent counterfeiting

SASB: HC-BP-260a.1

Counterfeits are identified through a combination of customer, sales force, distributor alerts, Customs alerts, and online monitoring. Counterfeits are confirmed through review of batch numbers; lot numbers; expiration dates; and, bar codes, along with an examination of label, packaging, and product appearance. Lab testing is done when other identification methods are not sufficient or when warranted per a risk-based analysis. We participate in the International Trademark Association (INTA), and our Chief Counsel for Global Trademarks serves on the INTA Anti-counterfeiting Committee and participates in the INTA Healthcare & Pharmaceutical subgroup which helps monitor and address ongoing threats.

Discussion of process for alerting customers and business partners of potential or known risks associated with counterfeit products

SASB: HC-BP-260a.2

A combination of the degree of risk for harm and the market penetration may warrant letters to distributors and end customers (veterinarians) or other alerts. We encourage all customers to buy through regular business channels from authorized distributors of Zoetis in order to ensure access to safe products and the Zoetis product guarantee.

Number of actions that led to raids, seizure, arrests, and/or filing of criminal charges related to counterfeit products

SASB: HC-BP-260a.3

Notification to legal or regulatory authorities depends on local requirements and specific cases. If local authorities require notification regarding existence of counterfeits, notification takes place. If notification is not required, but authorities are receptive to reports of counterfeits, we will report counterfeits depending on the case (market saturation, type of product involved, whether detailed information or evidence is available). When regulators and law enforcement accept such information, Zoetis is often not informed when raids, seizures, arrests, and/or filing of criminal charges takes place.

## ANIMAL WELFARE

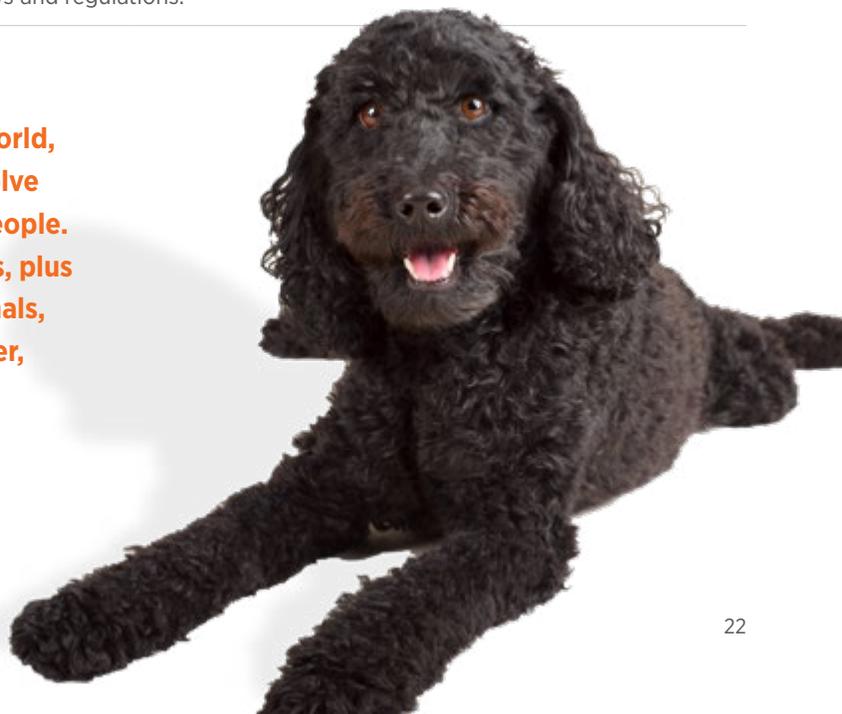
### TOPIC

Animal care and welfare

Our [Policy on Animal Care and Welfare](#) reflects our commitment to ensure that animals used in our research are treated humanely. The policy, set by the Zoetis Animal Welfare Board and overseen by the Zoetis Executive Team, applies to all Zoetis colleagues and contractors who undertake any activity on behalf of Zoetis that involves animals. Our Animal Care and Ethics Council is responsible for executing the policy, which includes provisions for site accreditation by [AAALAC International](#), country-defined regulatory monitoring, and local ethical oversight committee monitoring. Our standards of animal care and welfare meet or exceed those required by applicable local, national, or international laws and regulations.

**“We believe healthy animals build a healthier world, and we use our expertise in animal health to solve sustainability challenges facing animals and people. Through our innovative animal health solutions, plus community support of those who care for animals, we are committed to helping animals live longer, healthier lives.”**

**Dr. Mike McFarland**  
Chief Medical Officer





# SOCIAL IMPACT & COMMUNITY INVOLVEMENT

TOPIC	2019	2018	2017
Philanthropic efforts	<p>We give animal health expertise and resources to natural disaster relief efforts, veterinary education, pet adoption organizations, and to support the communities where we operate, and we recognize the importance of the human animal bond. We are currently establishing a framework to collect data on a global scale so that we can quantify our philanthropic efforts.</p> <p>For additional information, see the Charitable Giving section of our <a href="#">2019 Corporate Social Responsibility Highlights</a>.</p>		
U.S. disaster relief product donations	\$506,303	\$632,159	\$701,611

## EXAMPLES OF OUR CHARITABLE GIVING INCLUDE:

### VETERINARY EDUCATION AND WELLNESS



Ongoing partnership with Association of American Veterinary Medical Colleges (AAVMC)

- Veterinary Scholarships 315 Veterinary Students Awarded \$630,000 in Scholarships
- \$7.3 Million in funds over 11 years for more than 3,600 veterinary students.



Provided \$80,000 for the British Veterinary Association Young Vet Awards and extensive Continual Professional Development training courses.



Raised \$300,000 for [Beyond Blue](#) over the last three years to help Australian farmers and veterinarians who are especially vulnerable to mental health challenges as a result of rural isolation and other challenges including the 2019 bushfires.

### HUMAN ANIMAL BOND



Provided vaccines and Simparica to over 60 dogs enrolled in “[Patas Therapeuticas](#)” (Therapeutic Paws), a Brazilian NGO that coordinates volunteers and their specially trained dogs visiting hospitals and clinics to comfort children and the elderly. Through the Magnus Institute, we facilitated training and provided vaccines and Simparica for 12 dogs to be guides for people with visual and movement disabilities.



Funded the [Human Animal Bond Research Institute](#) with \$100,000 annually for research to promote the human-animal bond.



Partnered with veterinarians in Australia to make \$400,000 in donated products available to help care for animals affected by the devastating 2019 wildfires.



# GOVERNANCE & ETHICS

## POLICIES

### TOPIC

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Code of Conduct	<a href="#">Zoetis Code of Conduct</a>
Anti-Bribery and Anti-Corruption	<a href="#">Zoetis Code of Conduct</a> (page 34). Our colleagues must complete training annually and attest they have read and understand the policy.
Political involvement	Our <a href="#">policy on political contributions</a> , and any contributions from Zoetis, are overseen by senior management with periodic updates to the Corporate Governance Committee of the Board of Directors.

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## BOARD OVERSIGHT OF ESG

### TOPIC

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Board oversight of ESG	<p>Sustainability and ESG issues are an important priority for us.</p> <p>Our Board of Directors has determined that oversight of Zoetis' overall sustainability program is most effective at the Board level. The Board is increasingly focused on our sustainability strategy as it has been designated as one of our key strategic priorities. The Board will continue to provide guidance regarding sustainability goals and the overall sustainability strategy and will monitor our progress in environmental, social and governance areas to enable sustainable growth by Zoetis over the long term. The Board receives regular updates on our enterprise risk management program.</p> <p>The Board also exercises its oversight of environmental, social and governance issues through its committees and it receives regular updates from its committees regarding their respective areas of oversight. For additional information about how our Board committees oversee ESG, see our <a href="#">2020 Proxy Statement</a>. In addition, our Board recently expanded the charter of its Compensation Committee to include responsibility for overseeing talent development, diversity and inclusion, and employee engagement programs and policies. The Compensation Committee was renamed the Human Resources Committee to reflect these expanded human capital management responsibilities.</p>
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**“As one of our five strategic business priorities, sustainability is infused in all that we do at Zoetis. From strategic decision-making and formal commitments to partnering with our customers and communities to champion a healthier, more sustainable future.”**

**Jeannette Ferran Astorga**  
Head of Sustainability



## BUSINESS ETHICS

### TOPIC

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Total amount of monetary losses as a result of legal proceedings associated with corruption and bribery

Not reported

*SASB: HC-BP-510a.1*

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Description of code of ethics governing interactions with health care professionals

*SASB: HC-BP-510a.2*

We maintain a comprehensive Code of Conduct summarizing important policies and procedures including our interactions with Animal Healthcare Professionals and Promotional Activities Policy. This policy governs the interactions our colleagues have with Prescribing Animal Healthcare Professionals (PAHPs) including: (i) animal healthcare professionals with prescribing authority; and (ii) all employees of veterinarian hospitals and veterinarian practices working directly with a prescribing veterinarian, regardless of whether or not such persons have prescribing authority. Our policy requires promotional materials to be accurate, not misleading and compliant with all applicable legal and regulatory standards. Our policy also requires compliance with Zoetis standards concerning hospitality and gifts, which must be modest in value and infrequent, have a reasonable business purpose and must avoid even the appearance of attempting to influence the independent business judgment of the recipient, inappropriately reward or influence the prescribing or dispensing behavior of PAHPs. Each market is required to have a local standard operating procedure that has been approved by the Zoetis Legal team for compliance with applicable local legal standards. Colleagues who interact with PAHPs are trained upon hiring and given updated training during their employment.

Compliance is enforced through local, regional and senior management, as well as the Zoetis Corporate Compliance program. We maintain a compliance helpline web portal for reporting potential policy and legal violations. All reports are taken seriously, appropriately investigated and resolved consistent with the law and applicable Zoetis policy. Zoetis policy provides for appropriate corrective measures including disciplinary action as may be appropriate to address and resolve a reported violation.

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Business ethics governance

The Zoetis Corporate Compliance Program is overseen by the Audit Committee of the Board of Directors. Zoetis colleagues receive annual Code of Conduct training, and other trainings as determined by Zoetis Corporate Compliance in its overall training and communication plan, which covers all colleagues. The Zoetis Corporate Compliance program includes a dedicated compliance investigations and corrective actions function responsible for the prompt and appropriate investigation and resolution of potential violations and implementation of corrective measures including disciplinary action as may be appropriate. We encourage and expect colleagues to speak up when they become aware of potential legal and policy violations, and we have zero tolerance for any form of retribution against colleagues who report potential issues in good faith, even if it turns out the colleague who reported the matter was mistaken in their belief.

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## SUPPLY CHAIN MANAGEMENT

### TOPIC

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Percentage of (1) entity's facilities and (2) Tier I suppliers' facilities participating in the RX-360 International Pharmaceutical Supply Chain Consortium audit program or equivalent third-party audit programs for integrity of supply chain and ingredients

SASB: HC-BP-430a.1

Zoetis maintains its own Environmental Health and Safety (EHS) auditing program for external suppliers of Active Pharmaceutical Ingredients (API) and finished goods. We will continue to evaluate this metric for future reports.

Supply chain audits

We conduct audits of supply chain facilities at a frequency based on risk assessment. We also maintain and audit against internal EHS guidelines for external suppliers and contractors.

Zoetis is an associate member of the [Pharmaceutical Supply Chain Initiative](#), whose purpose is to bring together the pharmaceutical industry to define, implement and champion responsible supply chain practices.

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## DATA SECURITY & PRIVACY

### TOPIC

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Data security & privacy program

We employ a risk-based and intelligence driven program protecting data and information with multiple defenses and layers of security, commonly referred to as a "Defense in Depth" approach. In addition to continuous environment monitoring, an annual third-party assessment ensures our cyber-security program constantly adapts to the changing threat landscape and our evolving business. This third-party assessment includes an evaluation of our capabilities based upon National Institute of Standards and Technology Cyber-Security Framework (NIST CSF).

We have a 24x7 managed Security Operations Center (SOC) for immediate escalation of any critical events and uses automation to ensure that events are processed quickly and efficiently.

In the event of an incident, we use an Incident Response procedure and playbook that is carefully followed and practiced in simulated incident exercises. It is based upon the NIST Standard 800-61 and customized for Zoetis. Additionally, through disaster recovery and business continuity practices, we strive to ensure continuous business operations for our customers.

We practice continuous improvement relative to the ever-evolving regulatory frameworks such as California Consumer Privacy Act and General Data Protection Regulation. Securing our customers' data and our critical information assets, including our own colleague data, are always at the forefront of the decisions we make regarding our information security program.

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TO LEARN MORE ABOUT HOW WE ARE ADVANCING  
CARE FOR ANIMALS, FOR THE BENEFIT OF HUMANKIND,  
VISIT [ZOETIS.COM/SUSTAINABILITY](https://zoetis.com/sustainability)

The Zoetis logo is centered on the page. It features the word "zoetis" in a white, lowercase, sans-serif font. The letter "z" is stylized with a curved underline that extends under the "o".

**ZOETIS GLOBAL HEADQUARTERS**

10 Sylvan Way  
Parsippany, NJ 07054  
973-822-7200  
[sustainability@zoetis.com](mailto:sustainability@zoetis.com)  
[zoetis.com](https://zoetis.com)

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