



**Corporate Governance Principles  
of Zoetis Inc. (the "Company")  
(As of May 15, 2018)**

**Composition and Selection of the Board of Directors; Principal Roles and Responsibilities**

**1. General.** The Board of Directors 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, the "Senior Management Team" or "Senior Management" or "Senior Managers"), as well as other officers. Having selected the CEO, the Board acts as an adviser and counselor to Senior Management and ultimately monitors its performance. 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 as a whole. He or she 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.

**3. Director Independence.** It is the policy of the Company that the Board consists of a majority of independent directors. The Corporate Governance Committee of the Board shall establish and maintain Director Qualification Standards, which either meet or exceed the independence requirements of the New York Stock Exchange ("NYSE") corporate governance listing standards, to assist it in determining director independence. 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.

**4. Board Size.** The Corporate Governance 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, by retirement or for any other reason.

**5. Selection Criteria.** Candidates are selected for, among other things, their integrity, independence, leadership and their ability to exercise sound judgment. Animal health or veterinary expertise, prior public company executive experience, significant operations, manufacturing 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 Corporate Governance 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 Corporate Governance Committee. Diversity of experience, background and thought among Board members is an important factor in the selection of directors.

**6. Voting for Directors.** In accordance with the Company's By-laws, unless the Secretary of the Company determines that the number of nominees exceeds the number of directors to be elected as of the record date for any meeting of the stockholders, a nominee must receive more votes cast for than against his or her election or re-election in order to be elected or re-elected to the Board. The Board expects a director to tender his or her resignation if he or she 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 at the next stockholder meeting at which such person would face 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 this Corporate Governance Principle.

If an incumbent director fails to receive the required vote for re-election, then, within 90 days following certification of the stockholder vote, the Corporate Governance 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 Corporate Governance Committee and the Board may consider any factors they deem relevant in deciding whether to accept a director's resignation.

Any director who tenders his or her resignation pursuant to this provision shall not participate in the Corporate Governance 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 Current Report on Form 8-K (or any successor report) furnished to the Securities and Exchange Commission.

If each member of the Corporate Governance Committee fails to receive the required vote in favor of his or her 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.** Ordinarily, 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. 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 Board of Directors determines that doing so would impair the director's service on the Company's Board.

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

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

**10. Director Compensation.** The Corporate Governance Committee shall periodically review the compensation of non-employee directors. In determining non-employee director compensation, the Corporate Governance 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.

**11. Ownership Requirements.** Each director who is not an officer or employee of the Company is required to hold at least \$400,000 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 a share of the Company's Class A Common Stock. A director will have five years from the date of (a) his or her 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.

**12. 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.

**13. Chief Executive Officer Performance Goals and Annual Evaluation.** The Compensation Committee is responsible for setting annual and long-term performance goals for the Chief Executive Officer and for evaluating his or her performance against such goals. The Committee shall meet annually with the Chief Executive Officer to receive his or her recommendations concerning such goals. The Committee shall then meet with the Chief Executive Officer to evaluate his or her performance against such goals.

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

**15. 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 him or her. He or she shall also provide the Board with an assessment of persons considered potential successors to certain Senior Management positions.

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

It is the policy of the Company that 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 management present.

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

### **Other Board Functions**

**18. 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 and monitoring 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.

**19. 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.

**20. 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.

**21. 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.

**22. 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 non-management directors, 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.

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

### **Committee Composition and Functions**

**24. 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, Compensation Committee, Corporate Governance Committee and Quality and Innovation Committee.

The members and chairs of these Committees are recommended to the Board by the Corporate Governance 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 3 above. Members of the Audit and Compensation Committees are subject to heightened independence standards that are set forth in those Committees' respective Charters

**25. Meeting Conduct.** The 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.

**26. 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.

**27. 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.

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

**Periodic Review of Corporate Governance Principles**

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

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