

Zoetis Inc.
Form DEF 14A
April 02, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

Zoetis Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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

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

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

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

- (4) Proposed maximum aggregate value of transaction:

- (5) Total fee paid:

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

- (1) Amount previously paid:

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

- (3) Filing Party:

(4) Date Filed:

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Zoetis Inc.

10 Sylvan Way

Parsippany, NJ 07054

NOTICE OF 2019 ANNUAL MEETING OF SHAREHOLDERS

WHEN

Wednesday, May 15, 2019

10:00 a.m. Eastern Daylight Time

WHERE

Hilton Short Hills

41 John F. Kennedy Parkway

Short Hills, New Jersey 07078

RECORD DATE

Close of Business on March 21, 2019

ITEMS OF BUSINESS

- 1. Election of Class III Directors until the 2022 Annual Meeting of Shareholders for a three-year term as set forth in this proxy statement**

- 2. An advisory vote to approve the company's executive compensation (Say on Pay)**

- 3. Ratification of the appointment of KPMG LLP as the company's independent registered public accounting firm for 2019**

- 4. Such other business as may properly come before the Annual Meeting of Shareholders**

HOW TO VOTE

Shareholders of record on the Record Date are entitled to vote in the following ways:

**Call 1 (800) 652-8683
(toll free) in the
United States or Canada**

**Visit
www.investorvote.com/zts**

**Return a
properly
completed,
signed and
dated proxy card**

**Attend the Annual Meeting
of Shareholders in person
and vote your shares**

Sincerely yours,

Heidi C Chen

Executive Vice President,

General Counsel and Corporate Secretary

April 2, 2019

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2019 ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 15, 2019:

Zoetis Inc.'s Proxy Statement and Annual Report on Form 10-K for the year ended December 31, 2018 are available online at www.edocumentview.com/ZTS. We are furnishing proxy materials to our shareholders primarily via Notice and Access delivery. On or about April 2, 2019, we mailed to our shareholders a notice of Internet availability of proxy materials. This notice contains instructions on how to access our Proxy Statement and 2018 Annual Report and vote online.

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As used in this proxy statement, the terms we , us , our , the company or Zoetis refer to Zoetis Inc.

ZOETIS 2019 PROXY STATEMENT

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This summary highlights certain information in this proxy statement. As it is only a summary, please review the complete Zoetis Inc. Proxy Statement and 2018 Annual Report before you vote.

2019 ANNUAL MEETING

Time and Date	Wednesday, May 15, 2019, at 10:00 a.m. EDT
Place	Hilton Short Hills 41 John F. Kennedy Parkway Short Hills, New Jersey 07078
Record Date	Close of business on March 21, 2019
Voting	Shareholders on the record date are entitled to one vote per share on each matter to be voted upon at the Annual Meeting.
Admission	We do not require tickets for admission to the meeting, but we do limit attendance to shareholders on the record date or their proxy holders. Please bring proof of your common share ownership, such as a current brokerage statement, and photo identification.

2018 BUSINESS HIGHLIGHTS

In 2018, our leadership team once again drove strong operating performance based on the three interconnected capabilities that have been critical to our success since becoming a public company: direct customer relationships, innovative research and development, and high-quality manufacturing and supply. We continued to deliver on our value proposition, growing revenue faster than the market and growing our adjusted net income faster than revenue; targeting key investment opportunities for growth; and returning excess capital to our shareholders.

- ¹ *Operational revenue growth (a non-GAAP financial measure) is defined as revenue growth excluding the impact of foreign exchange. Page 44 of our 2018 Annual Report on Form 10-K, filed with the SEC on February 14, 2019, contains a reconciliation of this non-GAAP financial measure to reported results under GAAP for 2018.*
- ² *Adjusted net income and adjusted diluted EPS (non-GAAP financial measures) are defined as reported net income attributable to Zoetis and reported diluted EPS, excluding purchase accounting adjustments, acquisition-related costs and certain significant items. Pages 46 to 51 of our 2018 Annual Report on Form 10-K, filed with the SEC on February 14, 2019, contain a reconciliation of these non-GAAP financial measures to reported results under GAAP for 2018.*

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PROXY SUMMARY

MEETING AGENDA ITEMS

ELECTION OF DIRECTORS

ITEM 1

You are being asked to elect 4 directors Juan Ramón Alaix, Paul M. Bisaro, Frank A. D Amelio and Michael B. McCallister to hold office until the 2022 Annual Meeting of Shareholders and until their respective successors are duly elected and qualified, or until their earlier death, resignation or removal.

SUMMARY INFORMATION ABOUT OUR DIRECTOR NOMINEES AND CONTINUING DIRECTORS

Additional information about our directors can be found under Information About Directors on pages 5 to 11.

Juan Ramón Alaix	Paul M. Bisaro	Frank A. D Amelio	Sanjay Khosla	Michael B. McCallister	Gregory Norden	Louise M. Parent	Willie M. Reed	Linda Rhodes	Robert W. Scully	William Steere,
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nsumer
ducts

Global
Businesses

Life Sciences

Manufacturing &
Supply

Marketing &
Sales

Mergers &
Acquisitions

Senior Public
Company Board
Member

Public Company
CEO

Public Company
COO; or Finance
Controller Accounting

Public Company
; Compliance, or
Corporate
Governance

Regulated
Industries

Research &
Development

Demographic Background

Board Tenure

1 Years

6 3 6 5 6 6 5 5 1 5 6

Age (as of April 2, 2019)

Years Old

67 58 61 67 66 61 68 64 69 69 82

Gender

Male

M M M M M M M M M M

Female

F F

BTQ (optional reporting)

Identify as
BTQ

ance* (optional reporting)

Black or African
American

American Indian
Alaska Native

Asian

White

Native Hawaiian
Other Pacific
Islander

Other

I do not wish to
identify

Hispanic or Latino* (optional reporting)

Hispanic or
Latino

t Hispanic or
ino

l not wish to
ntify

Director Nominee

Continuing Director

* Based on U.S. Census Bureau
designations

ITEM 1 RECOMMENDATION: OUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF MR. ALAIX, MR. BISARO, MR. D AMELIO AND MR. MCCALLISTER.

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ITEM 2

ADVISORY VOTE TO APPROVE OUR EXECUTIVE COMPENSATION (SAY ON PAY)

You are being asked to approve, on an advisory basis, our executive officer compensation program as described in the Compensation Discussion and Analysis and the Executive Compensation Tables and accompanying narrative disclosure, as provided on pages 22 to 55 of this proxy statement. We believe that our program incentivizes and rewards our leadership for increasing shareholder value and aligns the interests of our leadership with those of our shareholders on an annual and long-term basis.

The Compensation Committee's compensation-related actions in 2018 included the following:

Timing of Annual Base Salary Increases. The Committee approved a change to the effective date for 2018 base salary increases from April 1, 2018 to January 1, 2018, to simplify the compensation process and the related communications and disclosures, beginning with the disclosures included within this 2019 proxy statement. The CEO did not receive a base salary increase in 2018 and was not impacted by this change.

CEO Stock Ownership Requirement. The Committee annually reviews the stock ownership requirements of our NEOs, including the CEO, which are established as a multiple of each executive's base salary, to encourage our NEOs to own and maintain a substantial stake in the company. In 2018, the Committee increased the stock ownership requirement for the CEO from 5 times to 6 times base salary to better align with practices reported by many of the companies in our compensation peer group.

Compensation Peer Group. As part of its annual review of our compensation peer group, the Committee made a few changes to the peer group for 2019 to provide a robust number of peer companies and a good balance of companies across the pharmaceutical, biotechnology, life sciences, and healthcare equipment industries that are more similar in size and scope to Zoetis. The revised peer group will be used by the Committee in making 2019 compensation decisions.

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

ITEM 3

RATIFICATION OF APPOINTMENT OF KPMG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2019

You are being asked to ratify our Audit Committee's appointment of KPMG LLP (KPMG) as our independent registered public accounting firm for 2019. KPMG has been our independent registered accounting firm since 2011.

The fees paid to KPMG are detailed on page 57.

One or more representatives of KPMG will be present at the 2019 Annual Meeting. They will be given the opportunity to make a statement if they desire to do so, and they will be available to respond to appropriate questions.

ITEM 3 RECOMMENDATION: OUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF KPMG AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2019.

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CORPORATE GOVERNANCE AT ZOETIS

ITEM 1 ELECTION OF DIRECTORS

Our Board of Directors currently consists of eleven directors divided into three classes. The directors hold office for staggered terms of three years and until their successors are elected and qualified, or until their earlier death, resignation or removal. One of the three classes is elected each year to succeed the directors whose terms are expiring. Our Board believes this structure is appropriate for the company as it allows for the continuity and stability of our Board and encourages a long-term strategic focus beneficial to the company and its stockholders.

The directors in Class III, whose terms expire at the 2019 Annual Meeting of Shareholders, are Juan Ramón Alaix, Paul M. Bisaro, Frank A. D Amelio and Michael B. McCallister. Each of these directors has been nominated by the Board of Directors, upon the recommendation of its Corporate Governance Committee, to stand for election for a term expiring at the 2022 Annual Meeting of Shareholders.

The Corporate Governance Committee considers a number of factors and principles in determining the slate of director nominees for election to the company's Board, as discussed in the section titled "Director Nominations" below. The Corporate Governance Committee and the Board have evaluated each of Mr. Alaix, Mr. Bisaro, Mr. D Amelio and Mr. McCallister against the factors and principles Zoetis uses to select director nominees. Based on this evaluation, the Corporate Governance Committee and the Board have concluded that it is in the best interests of Zoetis and its shareholders for each of Mr. Alaix, Mr. Bisaro, Mr. D Amelio and Mr. McCallister to continue to serve as a director of Zoetis.

Our Board has appointed Heidi C. Chen and Katherine H. Walden as proxies to vote your shares on your behalf. The proxies intend to vote for the election of Mr. Alaix, Mr. Bisaro, Mr. D Amelio and Mr. McCallister unless you indicate otherwise on your proxy card, voting instruction form or when you vote by telephone or online. Each candidate has consented to being named in this proxy statement and serving as a director if elected. However, if any nominee is not able to serve, the Board can either designate a substitute nominee to serve in his or her place as a director or reduce the size of the Board. If the Board nominates another individual, the persons named as proxies may vote for such substitute nominee.

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

Our Board of Directors recommends that you vote on your proxy card or voting instruction form For the election of each of the Board's nominees for election Juan Ramón Alaix, Paul M. Bisaro, Frank A. D'Amelio and Michael B. McCallister to serve as directors of Zoetis until our 2022 Annual Meeting and until their successors are elected and qualified, or until their earlier death, resignation or removal. The Board believes that each of these four nominees has a strong track record of being a responsible steward of shareholders' interests and of bringing extraordinarily valuable insight, perspective and expertise to the Board. In each individual's biography set forth on pages 6 to 11, we highlight specific experience, qualifications and skills that led the Board to conclude that each individual should continue to serve as a director of Zoetis.

**ITEM 1
RECOMMENDATION: OUR BOARD OF DIRECTORS RECOMMENDS
THAT YOU VOTE FOR THE ELECTION OF MR. ALAIX, MR. BISARO,
MR. D'AMELIO AND MR. MCCALLISTER AS DIRECTORS.**

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The following table sets forth certain information regarding the director nominees and the directors of the company whose terms will continue after the 2019 Annual Meeting of Shareholders.

Name	Age⁽¹⁾	Position(s) with the Company	Term Expires
Juan Ramón Alaix	67	Chief Executive Officer and Director	2019 ⁽²⁾
Paul M. Bisaro*	58	Director	2019 ⁽²⁾
Frank A. D. Amelio*	61	Director	2019 ⁽²⁾

Sanjay Khosla*	67	Director	2021
Michael B. McCallister*	66	Non-Executive Chairman of the Board and Director	2019 ⁽²⁾
Gregory Norden*	61	Director	2020
Louise M. Parent*	68	Director	2020
Willie M. Reed*	64	Director	2021

