TENNANT CO
Form DEF 14A
March 15, 2017

SCHEDULE 14A
INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

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

Filed by the Registrant [X]

Filed by a Party other than the Registrant [ ]

Check the appropriate box:

[ ] Preliminary Proxy Statement
[ ] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
[X] Definitive Proxy Statement
[ ] Definitive Additional Materials
[ ] Soliciting Material Under Rule 14a-12

TENNANT COMPANY
(Name of the Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

[X] No fee required.

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(1) Amount Previously Paid:
(2) Form, Schedule or Registration Statement No.:
(3) Filing Party:
(4) Date Filed:

Tennant Company
701 N. Lilac Drive
Minneapolis, Minnesota 55422

March 15, 2017

Dear Shareholder,

The 2017 Annual Meeting of Shareholders will be held on Wednesday, April 26, at 10:30 a.m. (CDT). We are pleased to inform you that this year's Annual Meeting will be our first completely virtual meeting of shareholders. You may attend the meeting and vote your shares electronically during the meeting via the Internet by visiting www.virtualshareholdermeeting.com/TNC2017. The online meeting will begin promptly at 10:30 a.m.

The attached Notice of Annual Meeting and Proxy Statement describe the business to be conducted at the meeting. We have chosen to provide access to our proxy materials over the Internet under the Securities and Exchange Commission's “notice and access” rules. We believe that providing our proxy materials over the Internet reduces the environmental impact of our Annual Meeting without limiting our shareholders' access to important information about Tennant.

Whether or not you plan on joining the meeting, it is important that your shares be represented and voted at the meeting. We encourage you to read the Proxy Statement and vote your shares, as instructed in the Notice of Internet Availability of Proxy Materials, over the Internet as promptly as possible, or you may request a paper proxy card, which will include a reply envelope, to submit your vote by mail and instructions for voting by telephone.

We appreciate your continued confidence in Tennant and look forward to you joining the virtual meeting.

Sincerely,
H. Chris Killingstad
President and Chief Executive Officer

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NOTICE OF
ANNUAL MEETING OF SHAREHOLDERS

Time and Date:	Wednesday, April 26, 2017 at 10:30 a.m. Central Daylight Time.
How to Attend:	The meeting will be completely virtual. You may attend the online meeting and vote your shares electronically during the meeting via the Internet by visiting www.virtualshareholdermeeting.com/TNC2017. You will need the 16-digit control number that is printed in the box marked by the arrow on your Notice Regarding the Availability of Proxy Materials to enter the Annual Meeting. We recommend that you log in at least fifteen minutes before the meeting to ensure that you are logged in when the meeting starts.
Items of Business:	(1) Elect two directors to a three-year term, such that the total number of directors is eight;
	(2) Ratify the appointment of KPMG LLP ("KPMG") as our independent registered public accounting firm for 2017;
	(3) Advisory approval of executive compensation;
	(4) Advisory approval on frequency of future advisory executive compensation approvals; and
	(5) Approval of the Tennant Company 2017 Stock Incentive Plan.
Who May Vote:	You may vote if you were a shareholder of record as of the close of business on March 2, 2017.
Proxy Voting:	It is important that your shares are voted, whether or not you join the virtual meeting. Please vote your shares, as instructed in the Notice of Internet Availability of Proxy Materials, by voting over the Internet as promptly as possible. You may also follow the instructions on the Notice of Internet Availability of Proxy Materials to vote by telephone or request a paper proxy card, which will include a reply envelope, to submit your vote by mail. Your prompt response will help reduce solicitation costs incurred by us.

March 15, 2017	Heidi M. Wilson, Secretary

TENNANT COMPANY PROXY STATEMENT

Why did I receive a Notice of Internet Availability of Proxy Materials?

Tennant Company ("we," "us," "our," "the Company"), on behalf of our Board of Directors ("Board"), is supplying this Proxy Statement in order to obtain your Proxy vote in connection with the virtual Annual Meeting of Shareholders.

The completely virtual Annual Meeting will be held on Wednesday, April 26, 2017, at 10:30 a.m. Central Daylight Time.

The Notice of Internet Availability of Proxy Materials is being mailed to shareholders on or about March 15, 2017.

How do I access the proxy materials?

Under rules of the Securities and Exchange Commission, we are furnishing proxy materials to our shareholders on the Internet, rather than mailing printed copies to our shareholders.

If you received a Notice of Internet Availability of Proxy Materials by mail, you will not receive a printed copy of the proxy materials unless you request one as instructed in that notice. Instead, the Notice of Internet Availability of Proxy Materials will instruct you as to how you may access and review the proxy materials, and vote, on the Internet.

If you received a Notice of Internet Availability of Proxy Materials by mail and would like to receive a printed copy of our proxy materials, please follow the instructions included in the Notice of Internet Availability of Proxy Materials.

What is a Proxy?

The Proxy serves as a ballot for elections to our Board, as well as listing information about any other items to be discussed and voted on at the Annual Meeting. It allows an authorized agent to act on your behalf in the event you do not attend the Annual Meeting.

Who is entitled to vote?

You may vote if you owned shares of our Common Stock as of the close of business on March 2, 2017. As of March 2, 2017, there were 17,719,902 shares of Common Stock outstanding, each entitled to one vote.

How do I vote?

You may vote in one of four ways:

1. By Internet

You may access the website at www.proxyvote.com to cast your vote 24 hours a day, 7 days a week, until 11:59 p.m. (EDT) on April 25, 2017. Please have your Notice of Internet Availability of Proxy Materials or, if you have requested one, your Proxy Card, in hand and the last four digits of your social security number available to verify your identity. Follow the instructions provided to obtain your records and create an electronic ballot.

2. By Phone

Request a Proxy Card from us by following the instructions on your Notice of Internet Availability of Proxy Materials. Then you may call 1-800-690-6903 by using any touch-tone phone, 24 hours a day, 7 days a week, until 11:59 p.m. (EDT) on April 25, 2017. Have your Proxy Card in hand when calling. You will need to provide the last four digits of your social security number to verify your identity. Follow the voice prompts to cast your vote.

3. By Mail

Request a Proxy Card from us by following the instructions on your Notice of Internet Availability of Proxy Materials. Mark, sign and date your Proxy Card and return it in the postage-paid envelope that will be provided, or return it to Tennant Company, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

4. Online during the Annual Meeting

All shareholders may vote online during the Annual Meeting through the link www.virtualshareholdermeeting.com/TNC2017. The 16-digit control number provided on your Notice of Internet Availability of Proxy Materials or Proxy Card is necessary to access this site. See below for instructions on voting if your shares are held through a third party.

What happens if my shares are held in an account at a brokerage firm, bank, broker-dealer or similar organization?

If your shares are held in an account at a brokerage firm, bank, broker-dealer or other similar organization, then you are the beneficial owner of shares held in "street name," and the Notice of Internet Availability of Proxy Materials was forwarded to you by that organization. The organization holding your account is considered the shareholder of record for purposes of voting online during the Annual Meeting.

As a beneficial owner, you have the right to direct that organization on how to vote the shares held in your account. You should follow the instructions received from that organization to vote your shares. Shares held beneficially in street name may be voted online during the Annual Meeting only if you obtain a legal proxy from the broker, trustee or nominee that holds your shares giving you the right to vote the shares.

What happens if my shares are held in the Tennant Company Retirement Savings Plan?

If your shares are held in the Tennant Company Retirement Savings Plan ("Savings Plan"), your vote will be communicated to the Trustee who will vote all shares held in the Savings Plan in proportion to votes cast by all participants who submit voting instructions. Your Proxy Card includes shares you hold in the Savings Plan. To be effective, your voting instructions must be received by the Trustee by April 21, 2017. Shares held in the Savings Plan may not be voted online during the Annual Meeting.

Can the Trustee vote my shares on my behalf without receiving voting instructions from me?

The Trustee will vote all shares held in the Savings Plan in proportion to votes cast by all participants who submit voting instructions timely. You should vote your shares by following the instructions described above and set forth on your Proxy Card.

Why should I vote?

Your vote is important! It ensures that your ownership interests are represented even if you are unable to join the Annual Meeting online. A promptly voted Proxy will save us additional solicitation expense.

May I revoke my Proxy or change my vote?

Proxies may be revoked at any time before being voted online during the Annual Meeting. The Proxy may be revoked or changed only by use of the following methods:

- Sending a signed, written notice of revocation, dated later than the Proxy, to the attention of the Secretary at the Company's address listed on page 3 of this Proxy Statement;
- Sending a signed Proxy, dated later than the prior Proxy, to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, New York 11717;
- Voting again by telephone or on the Internet prior to the Annual Meeting; or
- Joining the online Annual Meeting, revoking your Proxy and voting online during the meeting. You joining the Annual Meeting online will not revoke your Proxy unless you revoke your Proxy.

For shares held in an account at a brokerage firm, bank, broker-dealer or other similar organization, or in the Savings Plan, see restrictions described above.

How many votes are needed to hold the Annual Meeting?

The meeting can take place when holders of a majority of the outstanding shares of common stock, either online or by Proxy, are present at the meeting. This is known as a quorum. Abstentions and broker non-votes will be counted as present when determining whether a quorum exists.

What is a broker non-vote?

Broker non-votes are shares held of record by a broker that are not voted on a matter because the broker has not received voting instructions from the beneficial owner of the shares and either lacks or declines to exercise the authority to vote the shares in its discretion.

How many votes are needed to approve each of the proposals and how are votes counted?

The table below summarizes the vote required to approve each proposal and how votes are counted:

	Vote Required	Voting Options	Board Recommendation[1]	Broker Discretionary Voting Allowed[2]	Impact of Withhold / Abstention
Item 1: Elect two directors to a three-year term, such that the total number of directors is eight	Plurality of shares present in person or by proxy and entitled to vote	FOR WITHHOLD	FOR	No	None
Item 2: Ratify the appointment of KPMG LLP as our independent registered public accounting firm for 2017	Majority of shares present in person or by proxy and entitled to vote[3]	FOR AGAINST ABSTAIN	FOR	Yes	AGAINST
Item 3: Advisory approval of executive compensation	The Company will consider shareholders to have approved our executive compensation if the votes cast FOR exceed the votes cast AGAINST	FOR AGAINST ABSTAIN	FOR	No	None
Item 4: Advisory approval on frequency of future advisory executive compensation approval	The Company will consider the frequency alternative that receives the most votes to be the frequency recommended by shareholders	1 YEAR 2 YEARS 3 YEARS ABSTAIN	1 YEAR	No	None
Item 5: Approval of the Tennant Company 2017 Stock Incentive Plan	Majority of shares present in person or by proxy and entitled to vote[3]	FOR AGAINST ABSTAIN	FOR	No	AGAINST

(1) If you submit a Proxy without giving specific voting instructions, your shares will be voted in accordance with the Board's recommendations set forth above.

(2) If broker discretionary voting is not allowed, your broker will not be able to vote your shares on these matters. A broker non-vote will have no effect on the matter except in the case of Item 5 where a broker non-vote will have the same effect as a vote AGAINST if a majority of the voting power of the minimum number of shares entitled to vote that would constitute a quorum at the annual meeting is required in order to approve the item as described in footnote (3) below.

(3) If greater, the vote required is a majority of the voting power of the minimum number of shares entitled to vote that would constitute a quorum at the Annual Meeting.

Who will pay the cost of this Proxy solicitation?

We will bear the cost of solicitation. Proxies may be solicited on our behalf by directors, officers or employees, in person or by telephone, electronic transmission and facsimile transmission. No additional compensation will be paid to such persons for such solicitation. We will reimburse banks, brokerage firms and other custodians, nominees and fiduciaries for reasonable expenses incurred by them in sending Proxy materials to beneficial owners of shares.

What address should I use for correspondence with the Company?

Our principal executive office is located at 701 North Lilac Drive, P.O. Box 1452, Minneapolis, Minnesota, 55440-1452.

BOARD OF DIRECTORS INFORMATION, QUALIFICATIONS, EXPERIENCE AND TENURE

Directors with terms expiring at the Annual Meeting are Carol S. Eicher, Donal L. Mulligan and Stephen G. Shank. In accordance with the retirement policy in our Corporate Governance Principles, which states that a director may not be nominated to a new term if he or she would be age 73 or older at the time of election, Stephen G. Shank (who is 73 years old) will be retiring from the Board and will not be standing for election at the Annual Meeting. The Board of Directors does not currently plan to replace Mr. Shank and, therefore, the total number of directors will be eight.
Director Nominees for Terms Expiring in 2020 (Class I Directors):

CAROL S. EICHER, 58	Director Since 2008

Chief Executive Officer of Innocor Inc., a designer and manufacturer of home furnishings, since May 2014.
Business President for Coating Materials and Building and Construction for The Dow Chemical Company, a manufacturer and seller of chemicals, plastic materials, agricultural and other specialized products and services from September 2012 to July 2013. Business Group Vice President for Building and Construction for Dow Chemical from August 2010 to August 2012.
Business Director, Performance Monomers, for Dow Chemical from April 2009 to July 2010.
Vice President/Global Business Director, Primary Materials and Process Chemicals, Rohm and Haas Company, a developer of solutions for the specialty materials industry acquired by Dow

	Chemical in 2009, from 2003 to July 2010. General Manager, Americas & Europe, Electronics, Organic Specialties, for Rohm and Haas from 2001 - 2003. Business Director, Organic Specialties, for Rohm and Haas from 2000 - 2001. Held various senior management positions with Ashland Chemical Company, a division of Ashland, Inc., from 1992 - 2000. Held various management positions with E.I. DuPont de Nemours and Company, Inc., from 1979 - 1992. Chair of the Governance Committee, member of the Compensation and Executive Committees.
Qualifications:	Ms. Eicher brings a wealth of global manufacturing, operations and merger and acquisition experience from her senior leadership positions at Innocor Inc., The Dow Chemical Company, Rohm and Haas Company, Ashland Chemical Company and E.I. DuPont de Nemours and Company, Inc. In these positions she has led expansion efforts in developing countries and can provide insights as to the issues we may face as we expand our presence in Brazil, China and other developing countries.

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DONAL L. MULLIGAN, Director Since 2009
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Executive Vice President and Chief Financial Officer for General Mills, Inc., one of the world's largest food companies, since 2007.
Held various executive positions with General Mills from 2001 - 2007, including Vice President Financial Operations for the International division; Vice President Financial Operations for Operations and Technology and Vice President and Treasurer.
Served as Chief Financial Officer, International, for The Pillsbury Company from 1999 - 2001.
Held various international positions with PepsiCo Inc. and YUM! Brands, Inc., including Regional CFO, Americas, Finance Director, Asia, and Finance Director, Canada, from 1987 - 1998.
Chair of the Audit Committee, member of the Governance and Executive Committees.

Qualifications: Mr. Mulligan was selected by the Board not only because of his financial expertise and his various senior financial and operations leadership positions at large multinational public companies, but also because of his knowledge in developing, marketing and branding innovative products, which is particularly relevant to our business, which involves the regular introduction of new and innovative products to the market.

Directors Whose Terms Expire in 2018 (Class II Directors):

AZITA ARVANI, Director Since 2012
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Head of Innovation Partner & Venture Management for Nokia Networks (formerly known as Nokia Siemens Networks), a communications infrastructure and services company, since March 2017.

Head of Global Innovation Scouting for Nokia Networks from January 2016 to February 2017. Head of Innovation Partnering & Ecosystem Ventures for Nokia Networks from July 2015 to December 2015. Head of Innovation Partnering for Nokia Networks from September 2014 to July 2015. Head of Partnering and Alliances for Nokia Solutions and Networks from September 2012 to August 2014. Head of Innovation Strategy for Nokia Siemens from September 2011 to August 2012.
Principal and Founder of Arvani Group Inc., a boutique business consulting firm

	specializing in the mobile and wireless industry, from 2002 - 2011. Vice President, Business Development and Strategy, for ActiveSky, provider of an online mobile multimedia application development and distribution platform, from 2000 - 2001. Held various senior technical and business positions, including Director, Corporate Business Strategy, for Xerox Corporation, a business process and document management company, from 1996 - 2000. Member of the Compensation, Governance and Executive Committees.
Qualifications:	Ms. Arvani, through her work with Nokia Networks, brings extensive experience in disruptive technologies. As a consultant and executive leader, she has helped a diverse set of companies develop and commercialize game-changing technologies. Her experience in new technologies is particularly valuable as we evolve our Orbio® water-based and other sustainable cleaning technologies.

STEVEN A. SONNENBERG, 64

Director Since 2005
Lead Director Since 2016

Chairman, Emerson Automation Solutions, a business unit of Emerson Electric Company, a worldwide technology and engineering company, since October 2016.
Executive Vice President, Emerson Electric Company, and President for Emerson Process Management from 2008 to September 2016.
President for Rosemount, Inc., a business unit of Emerson Electric Company, from 2002 to October 2008. Held various positions with Rosemount and Emerson, including General Manager for Rosemount China and President for Emerson Process Management Asia Pacific, from 1992 - 2002.
Lead Director, Chair of the Executive Committee, member of the Audit and Governance Committees.

Qualifications: Mr. Sonnenberg is an expert in global sales, operations and expansion. His leadership roles with Emerson Electric Company and its various divisions have helped him acquire a specific expertise in process improvement, grounded in systems and metrics that is critical to successful, scalable growth and expansion, which applies directly to our process improvement and growth initiatives. His experience with global acquisitions, joint ventures and expertise in emerging markets is also very valuable as we grow our global business.

Director Since 2009

DAVID S. WICHMANN, 54

President for UnitedHealth Group Incorporated, a diversified health and well-being company, since November 2014.

Held various executive positions with UnitedHealth Group since 1998, including Chief Financial Officer, UnitedHealth Group, President, Operations and Technology, UnitedHealth Group, President, Commercial Market Group, UnitedHealthcare, President and Chief Operating Officer, UnitedHealthcare, President and Chief Executive Officer, Specialized Care Services, and Senior Vice President, Corporate Development.

Partner, Arthur Andersen, from 1995 - 1998.

Chief Financial Officer for Advance Machine Company from 1992 - 1994.

Member of the Audit, Compensation and Executive Committees.

Qualifications: Mr. Wichmann was selected by the Board for his global financial operations, merger and acquisitions and business integration expertise. In addition to being a seasoned senior executive with UnitedHealth Group Incorporated, he has experience across multiple businesses through his early consulting practice with Arthur Andersen and as Chief Financial Officer of a company in the same business segment as our

Company. His understanding of business processes, finance, accounting and internal controls adds further discipline to our growth initiatives.

Directors Whose Terms Expire in 2019 (Class III Directors):

WILLIAM F. AUSTEN, 58	Director Since 2007

President, Chief Executive Officer and member of the Board of Directors for Bemis Company, Inc., a global flexible packaging company, since August 2014.
Executive Vice President and Chief Operating Officer for Bemis from November 2013 to August 2014. Group President for Bemis from May 2012 to October 2013. Vice President, Operations, for Bemis from 2004 to April 2012.
President and Chief Executive Officer for Morgan Adhesives Company from 2000 - 2004.
Held various positions with General Electric Company from 1980 - 2000, culminating in General Manager, Switch Gear Business.
Member of the Audit, Compensation and Executive Committees.

Qualifications:	Mr. Austen brings a broad strategic perspective as the top leader at Bemis Company where he serves as President and Chief Executive Officer. He is a talented leader in global manufacturing and operations with

experience in global mergers, acquisitions and business integration. This experience is relevant to our business due to our international operations and growth initiatives.

H. CHRIS KILLINGSTAD, Director Since 2005
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President and Chief Executive Officer for Tennant Company since 2005.
Vice President, North America, for Tennant from 2002 - 2005.
Held various senior management positions with The Pillsbury Company, including Senior Vice President and General Manager, from 1990 - 2002.
International Business Development Manager for PepsiCo Inc. from 1982 - 1990.
Financial Manager for General Electric from 1978 - 1980.

Qualifications: Mr. Killingstad, our President and CEO, through his work with General Electric, PepsiCo Inc. and The Pillsbury Company, as well as with the Company, has led global expansion and turnaround efforts and has developed expertise in the areas of product innovation, brand marketing and building strong leadership teams. He has also developed and grown start-up enterprises within a corporate environment, a skill that he is applying to the incubation of new and innovative products and technologies, including our water-based and other sustainable cleaning technologies business expansion.

DAVID WINDLEY, Director Since 2016
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President for IQTalent Partners, a professional services firm focused on talent acquisition, since September 2014.
Executive Vice President, Chief Human Resources Officer, for Fusion-io, Inc., a computer hardware and software systems company, from October 2013 to August 2014.
Executive Vice President, Chief Human Resources Officer, for Yahoo! Inc., a guide focused on making users' digital habits inspiring and entertaining from December 2006 to September 2012.
General Manager, Human Resources, for Microsoft Corporation, a technology company whose mission is to empower every person and every organization on the planet to achieve more, from December 2003 to December 2006.
Vice President Human Resources, Business Units, for Intuit Inc., a software company that develops financial and tax preparation software and related services for small businesses, accountants and individuals, from December 2001 to December 2003.
Held various positions with Silicon Graphics, Inc., a manufacturer of high-performance computing solutions, from

	1991 to 2001, culminating in Vice President, Human Resources.
	Chair of the Compensation Committee and member of the Governance and Executive Committees.
Qualifications:	Mr. Windley has extensive global human resources management, succession planning and executive compensation expertise from his executive roles with IQTalent Partners, Fusion-io, Inc., Yahoo! Inc. and Microsoft Corporation. His experience with leading technologies will be particularly valuable as we expand how we use digital technology in our products and in our go-to-market initiatives.

Board Tenure of Directors

Our Governance Committee strives to maintain a balance of tenure on the Board. Long-serving directors bring valuable experience to our Company and familiarity with the successes achieved and challenges it has faced over the years, while newer directors bring fresh perspectives and ideas. Tenure of our directors is as follows:

Tenure on Board	Number of Directors Serving After Annual Meeting
10+ years	3
5-9 years	3
Less than 5 years	2

Meeting Attendance

During 2016, our Board met on seven occasions. All directors attended at least 80% of Board and respective Committee meetings on which they serve.

As set forth in our Corporate Governance Principles, all members of our Board are encouraged to attend the annual meetings of shareholders. All then serving directors attended the 2016 Annual Meeting of Shareholders, except for Steven A. Sonnenberg who had a schedule conflict.

Director Independence

Our Board uses criteria established by the New York Stock Exchange ("NYSE") and the Securities and

Exchange Commission to determine director independence. The Governance Committee reviews relevant information no less than annually to determine whether the Board members meet the applicable criteria. Our Board has determined that Mmes. Arvani and Eicher and Messrs. Austen, Mulligan, Shank, Sonnenberg, Wichmann and Windley are independent based on the standards referred to above.

The only relationships that exist between our directors and our Company or management are ordinary course of business commercial transactions involving the purchase of the Company's products and product maintenance services by companies that employ certain of our directors or our purchase of products and services from companies that employ certain of our directors.

These transactions were considered by our Board in determining the independence of our directors.

For 2016, the Board considered the fact that the following non-employee directors are affiliated with entities that purchased goods and/or product maintenance services from us as follows: (i) Mr. Austen's employer, Bemis Company, Inc., or its affiliates, in the approximate amount of $16,000; (ii) Ms. Eicher's employer, Innocor Inc., in the approximate amount of $1,900; (iii) Mr. Mulligan's employer, General Mills, Inc., or its affiliates, in the approximate amount of $214,200; and (iv) Mr. Sonnenberg's employer, Emerson Electric Company, or its affiliates, in the approximate amount of $112,400; such amounts were less than 2% of our and their respective employer's gross revenues (which, in each case, are greater than $1 million) for the year.

Based on the relevant facts and circumstances, Ms. Eicher and Messrs. Austen, Mulligan and Sonnenberg do not have a material interest in these ordinary course of business transactions.

In addition, one of our non-employee directors is affiliated with an entity that has a business relationship with us where we purchase goods. The Board considered that the Company purchased various machine parts from subsidiaries of Emerson Electric Company, Mr. Sonnenberg's employer, in the approximate amount of $159,000, and based on the relevant facts and circumstances, determined that Mr. Sonnenberg does not have a material interest in these ordinary course of business commercial transactions. In addition, the amount we paid to Emerson subsidiaries in 2016 was less than 2% of its gross revenues (which are greater than $1 million).

The Board was provided with this information and concluded that none of the relationships interfere with the independence of these directors or present a conflict of interest.

Board Leadership Structure

Our Board has four standing committees: Audit, Compensation, Governance and Executive. Each of the Board committees is comprised solely of independent directors with each committee having its own chair.

Our President and Chief Executive Officer ("CEO"), Mr. Killingstad, is a member of our Board. However, as was the case with his predecessor, he does not serve as Chair of the Board. He works closely with our Lead Director to set and approve the agenda of the Board meetings, to ensure that there is an appropriate flow of information to the Board, and to make sure that

management properly and adequately addresses matters of interest to the Board.

Mr. Killingstad conducts the actual Board meetings but our Lead Director conducts the meetings of the Executive Committee of the Board, which consists of all non-employee directors. Currently, the positions of Lead Director and Chair of the Executive Committee are combined.

The Board appointed Steven A. Sonnenberg Chair of the Executive Committee and Lead Director in August 2016, replacing retiring director Stephen G. Shank who had held these positions since August 2009. Our Board's criterion for Lead Director is that he or she must be an independent director appointed by the Board and elected by a majority of the full Board.

The role of the Lead Director is to provide independent leadership to our Board, act as a liaison between the non-employee directors and the Company and ensure that our Board operates independently of management.

The Lead Director is appointed for a one-year term and may serve successive terms, but our Board retains the right to remove or replace the Lead Director in its discretion. The person serving as Chair of the Executive Committee shall typically also be the Lead Director, unless our Board decides otherwise.

The principal responsibilities assigned to the Lead Director include:

- Chairing the Board in the absence of our CEO;
- Organizing and presiding over all executive sessions of our Board;
- Serving as liaison between the non-employee members of the Board and our CEO;
- In concert with our CEO and other directors, setting and approving the agenda for Board meetings, including approval of schedules to assure sufficient time for discussion of all agenda items;
- In concert with our CEO and committee chairs, ensuring the appropriate flow of information to the Board and reviewing the adequacy and timing of materials provided to the Board;
- Communicating to management as appropriate the results of private discussions among independent directors;
- Holding one-on-one discussions with individual directors where requested by the directors or the Board;

- Ensuring his or her availability for consultation and direct communication with major shareholders, if requested by such shareholders; and

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• Carrying out other duties as requested by our Board.

Our Board has chosen this leadership structure because it believes that it fosters good communication between management and the Board, provides strong independent leadership to oversee and challenge management and provides the optimal level of Board involvement in strategic decision making and risk oversight.

Board Oversight of Strategy and Risk

General

Our Board takes an active role in risk oversight of the Company both as a full Board and through its Committees. The agendas for our Board and Committee meetings are specifically designed to include an assessment of opportunities and risks inherent in our operations, strategies and compensation plans.

Our Board meets in executive session at the beginning of and/or after the end of each regularly scheduled Board meeting. The executive sessions are used to assist our Board in carrying out its duties, including risk oversight. We believe that the process followed by our independent directors and led by our Lead Director provides an appropriate level of risk oversight by the Board.

Annual Risk Assessment Process

We conduct an annual enterprise-wide risk assessment. A formal report is delivered to our Audit Committee and to our Board each December. Risk assessment updates are provided at each regularly scheduled quarterly Audit Committee meeting and more frequently if requested by a Committee, our Board or recommended by management. The objectives for the risk assessment process include (i) facilitating the NYSE governance requirement that our Audit Committee discuss policies around risk assessment and risk management, (ii) developing and addressing a defined list of key risks to be shared with our Audit Committee, Board and management, (iii) reviewing management’s risk mitigation efforts, (iv) determining whether there are risks that require additional or higher priority mitigation efforts, (v) facilitating discussion of the risk factors to be included in Item 1A of our Annual Report on Form 10-K, and (vi) guiding the development of the next year’s audit plans.

The risk assessment process is conducted by our outsourced internal auditor and through members of an internal risk committee (“Risk Committee”) consisting of senior level staff from the legal and finance departments and from the business functions. Together they (i) review our enterprise risk assessment process, (ii) conduct a detailed enterprise risk assessment, including a survey of key department and functional leaders from all geographies, (iii) communicate the results of the risk assessment, (iv) evaluate management’s past mitigation efforts, and (v) assess management’s preparedness to address the identified risks and recommend risk mitigation activities.

The process links the risk areas with our strategies, objectives and entity-level controls where senior management and global employees participate in risk identification and ranking and assessment of management preparedness to address identified risks. The risk profiles and current and future mitigating actions are discussed and refined during subsequent discussions with management. Any identified risks are prioritized based on the potential exposure to the business and measured as a function of severity of impact and likelihood of occurrence, after taking into account management's preparedness.

Non-Ordinary Course Expenditure Policy

To monitor transactions that could potentially expose us to risk, our Board has a formal delegation of authority policy for non-ordinary course expenditures which specifies areas for which Board review and approval are required.

Compensation Risk Review

Annually, our Compensation Committee reviews and discusses our executive and non-executive employee compensation policies, practices and designs regarding the appropriateness of the level of enterprise risk associated with our short-term and long-term incentive compensation plans and sales commission and incentive plans (collectively, “plans”). To assess whether the plans encourage unnecessary or excessive risk taking, the Compensation Committee considers the plan design philosophy, how the incentives are likely to impact employee behavior, the appropriateness of the plan metrics and what checks and balances exist to mitigate risks for inappropriate or fraudulent behavior.

In December 2016, management presented our Compensation Committee with its analysis of the risks associated with our compensation plans and with its conclusion that our compensation plans, practices and designs are not reasonably likely to have a material adverse effect on us. Our Compensation Committee discussed this conclusion with management.

Regarding the executive plans, the Compensation Committee considered that the compensation plans mitigate unnecessary risk taking in both design and by the controls placed upon them because (i) payments under all of our management compensation plans are capped, (ii) the performance goals related directly to the business plan are approved by the Board, and (iii) there is an appropriate balance between our annual operating achievements and longer-term value creations, with a particular emphasis on longer-term value creation.

Board Committees

As mentioned above, we have four standing committees of our Board: Audit, Compensation, Governance and Executive. Membership on these committees is limited to independent directors.

Audit Committee

Our Audit Committee is comprised of Donal L. Mulligan (Chair), William F. Austen, Steven A. Sonnenberg and David S. Wichmann.

Our Board uses the listing standards of the NYSE to determine whether our Audit Committee members possess the requisite financial literacy to serve on the Committee. Our Board has determined that all Audit Committee members are financially literate and independent.

At least one member of our Audit Committee must have accounting or related financial management expertise as required by NYSE rules. Our Audit Committee endeavors to have at all times a member who qualifies as an "audit committee financial expert" as defined by the Securities and Exchange Commission.

Our Board has determined that Messrs. Mulligan and Wichmann, each with extensive experience in financial management and Mr. Wichmann being a certified public accountant, satisfy the requirements of an "audit committee financial expert" and that their expertise has been acquired through training and relevant experience.

Our Audit Committee operates under a written charter adopted by our Board, which was most recently amended on December 14, 2016. Our Audit Committee is required to meet no less than four times throughout the year and in 2016 met on eleven occasions.

The primary functions of our Audit Committee are to oversee:

- The integrity of our financial statements;
- Our compliance with legal and regulatory requirements;
- The independent registered public accounting firm's qualifications, independence and performance;
- The performance of our internal audit function;
- Our system of internal controls over financial reporting;
- Our risk assessment and management policies; and
- Significant financial matters.

Compensation Committee

Our Compensation Committee is comprised of David Windley (Chair), Azita Arvani, William F. Austen, Carol S. Eicher, Stephen G. Shank and David S. Wichmann, all of whom meet the criteria for independence under the NYSE listing standards, Section 162(m) of the Internal Revenue Code and Rule 16b-3 of the Securities Exchange Act of 1934, as amended ("Exchange Act").

Our Compensation Committee operates under a written charter adopted by our Board, which was most recently amended on August 14, 2013. Our Compensation Committee is required to meet no less than two times throughout the year and in 2016 met on four occasions.

The primary functions of our Compensation Committee are to assist us in maximizing shareholder value by ensuring that executive officers are compensated in accordance with our philosophy, objectives and policies. Specifically, our Compensation Committee has established a total compensation policy that:

- Supports our overall strategy and objectives;
- Attracts and retains key executive officers;
- Links total compensation to financial performance and the attainment of strategic objectives;
- Provides competitive total compensation opportunities at a reasonable cost while enhancing short-term and long-term shareholder value creation;
- Does not incent risk-taking behavior that would be likely to have a material adverse effect on our Company; and

• Provides transparency consistent with good corporate governance practices.

Our Compensation Committee sets the compensation for our executive officers and evaluates their compensation against performance goals and objectives. The Committee also reviews management's process for assessing whether incentive compensation plans for both executive and non-executive employees are likely to have a material adverse effect on our Company.

In addition, the Committee recommends pay levels for non-employee directors for approval by our full Board. Given the inherent conflict of directors setting their own pay levels, these recommendations take into consideration external market information, primarily in the form of competitive market data, received from the Committee's outside compensation consultant.

Use of Outside Compensation Consultants

Our Compensation Committee engages outside consultants to assist it in the performance of its duties.

From 2008 until 2016, the Committee used Aon Hewitt ("Hewitt") as the Company's independent compensation consultant. On August 16, 2016, the Committee retained Pearl Meyer & Partners, LLC (“Pearl Meyer”) to advise it on 2017 executive officer and non-employee director compensation. It selected Pearl Meyer because it has one of the world’s largest global executive compensation operations and provides executive compensation expertise in the areas of tax, regulatory compliance, corporate governance, plan design and competitive intelligence regarding compensation plans and comparative metrics. Hewitt and Pearl Meyer's services included (i) making recommendations regarding the form and amounts of executive officer and non-employee director compensation, (ii) providing market and performance data as a backdrop to the Committee’s decisions regarding executive officer and non-employee director compensation, and (iii) advising the Committee as to best practices and recent legal, governance and regulatory considerations regarding executive officer and non-employee director compensation.

The outside consultants report directly to our Compensation Committee and work collaboratively, as directed by the Chair of the Committee, with management. Our Compensation Committee annually evaluates the ability of the outside consultants to provide independent advice. For 2016, the Committee concluded that Hewitt and Pearl Meyer were independent with respect to the services they respectively provided to the Committee because (i) they reported directly to the Committee, (ii) the Committee could solicit advice and consultation from them without management’s direct involvement and (iii) all of the services provided by them in 2016 were at the request of the Committee.

In addition, our Compensation Committee assessed the independence of both of the outside consultants pursuant to the Securities and Exchange Commission rules and concluded that no conflict of interest exists

that would prevent either outside consultant from independently advising the Compensation Committee.

Our Compensation Committee has established a process to limit potential conflicts of interest should management desire to seek advice from the Committee’s retained outside consultant for non-executive compensation matters. Specifically, the Committee determined that if management desires to use the outside consultant to provide any advice on non-executive compensation matters, the outside consultant shall contact the Chair and inform the Chair of such request for non-executive compensation services.

The Committee delegated to the Chair the authority to make a decision as to whether the service is appropriate. The Chair is required to inform the Committee of any such request or approval granted no later than at the next scheduled meeting of the Compensation Committee.

The outside consultants, no less than annually, must provide a summary to the Committee describing any non-executive compensation services provided to our Company. No such services were provided in 2016.

Additional information about the role of the outside consultant is set forth below under “Compensation Discussion and Analysis, Compensation Determination Process.”

Governance Committee

Our Governance Committee is comprised of Carol S. Eicher (Chair), Azita Arvani, Donal L. Mulligan, Stephen G. Shank, Steven A. Sonnenberg and David Windley.

Our Governance Committee operates under a written charter adopted by our Board, which was last amended on August 17, 2016. Our Governance Committee does not have a required number of meetings. In 2016, our Governance Committee met on three occasions.

The primary purpose of our Governance Committee is to:

- Assist our Board in identifying individuals qualified to become Board members;
- Determine the composition of our Board and its Committees;
- Lead our Board in its annual review of the Board’s performance and coordinate its peer review process;
-

Regularly review and, when applicable, recommend to our Board changes to our Corporate Governance Principles, Articles of Incorporation, By-Laws and certain Board committee charters; and

- Assist our Board in understanding and complying with new corporate governance laws, regulations and policies affecting our Company.

Executive Committee

Our Executive Committee is comprised of Steven A. Sonnenberg (Chair), Azita Arvani, William F. Austen, Carol S. Eicher, Donal L. Mulligan, Stephen G. Shank, David S. Wichmann and David Windley, constituting all of the independent, non-employee directors. Mr. Sonnenberg, as Chair of the Executive Committee and Lead Director, presides at the Executive Committee meetings.

Our Executive Committee operates under a written charter adopted by our Board which was last amended on August 17, 2016. Our Executive Committee is to meet no less than four times throughout the year and in 2016 met on five occasions at the beginning of and/or following each regularly scheduled Board meeting and at the end of one special Board meeting, which constitute executive sessions.

The primary purpose of our Executive Committee is to review such matters and take such actions as are appropriate to be reviewed or taken by the non-employee directors of our Board. Any Executive Session held at the beginning of a regularly scheduled Board meeting generally is used to discuss the Board's priorities and focus on the agenda topics for that meeting. The Executive Session held following a regularly scheduled Board meeting is used to, among other things, assess the quality of the meetings and to collect feedback for our Lead Director to present to our CEO and management. Such feedback includes any requests for specific information to the oversight and focus on our long-term strategic direction, the annual review of our CEO’s performance, setting our CEO’s compensation, review and approval of our management succession plan and review and assessment of the risks and opportunities inherent in our strategic decision making. In addition, our Executive Committee formulates feedback to be provided by our Lead Director to management after each meeting. Such feedback includes future agenda items, requests information and other recommendations.

Board and Committee Self-Evaluation Process

In accordance with our Corporate Governance Principles, which are available on our website at www.tennantco.com, the Board and its Committees conduct an annual performance evaluation where the following processes are followed:

- Annually in October, Board members complete a detailed questionnaire which asks for quantitative ratings and subjective comments in key areas covering Board and Committee matters. Responses are collected by our General Counsel's office and a compilation of all the responses is provided to the Governance Committee. In addition, management prepares a response memorandum to the Chair of the Governance Committee. Upon review by the Governance Committee, the compilation of responses and management's response memorandum are provided to the Board and each Committee for review and discussion in executive session during the December or February Board and Committee meetings. Each Committee provides an evaluation summary to the full Board in executive session at that December or February Board meeting. Feedback is then provided to management through the Lead Director.
- Board members periodically conduct an evaluation of their peer directors by completing a subjective questionnaire. Responses are provided directly to the Lead Director. The Lead Director then communicates with individual directors to provide feedback received from their respective evaluations. This peer review process was conducted in the fall of 2016.

Board and Committee Member Nominations and Appointments

Committee Appointments

Our Board appoints members of its Committees at least annually upon recommendation of our Governance Committee after taking into account the desires, experiences and expertise of individual directors, the recommendations of our CEO and the benefits of rotating Committee membership.

Director Nomination Process

Our Governance Committee is responsible for recommending nominees for election to our Board. As required by our Corporate Governance Principles, this Committee is responsible for reviewing with our Board, on an annual basis, the requisite skills and characteristics of individual members. The Committee must also balance the composition of our

Board, as a whole, with the needs of our Company.

Our Governance Committee reviews all director nominees and recommends to our Board those persons whose attributes it believes are most beneficial to our Company.

The Committee's assessment of each director nominee takes into consideration the needs of our Board, the ability to effectively represent the shareholders and stakeholders generally, as well as the following attributes:

Experience	Skills
Diversity	Competence
Integrity	Dedication

Our Board does not have a written policy with regard to the consideration of diversity in identifying director nominees; however, as indicated above, diversity is one of the factors that our Board takes into consideration when assessing director nominees. In that regard, our Board defines "diversity" broadly to include race, gender, national origin, functional experience, geographic representation and personal skills and attributes.

Our Board looks for candidates who have public company experience, have a history of demonstrating strong and ethical leadership, are sufficiently senior and adept at understanding and evaluating strategic, financial and operational risks and have the expertise to create a well-rounded board.

Our Board has sought to identify, appoint and nominate for shareholder approval candidates with expertise in global expansion, global sales and marketing, mergers and acquisitions, manufacturing and operations, process improvement, financial expertise, executive compensation, organizational change and talent management, corporate governance and experience in digital and disruptive technologies.

The Committee also considers our Corporate Governance Principles, which include the following factors when considering director nominees:

The size of our Board	Other board service
Directors with job changes	Retirement
Director terms	Independence matters

Once a recommendation is made by our Governance Committee, it is reviewed by our full Board. In making its decision to nominate directors, our Board considers all of the above factors.

Shareholder Nominations

Our Governance Committee will consider director candidates recommended by shareholders. Shareholder recommendations must be accompanied by a sufficiently detailed description of the candidate's background and qualifications.

The Committee will evaluate the candidate using the same aforementioned criteria. To recommend a qualified candidate, shareholders should write to the Chair of the Governance Committee at our principal executive office listed below.

If a shareholder wishes to nominate a director other than a person nominated by our Board of Directors, under our Restated Articles of Incorporation a shareholder of record must submit to our secretary a written request that a person's name be placed in nomination. This request must be received not less than 75 days prior to the date fixed for the meeting, along with the written consent of the proposed nominee to serve as a director.

Communication with the Board of Directors

All interested parties, including shareholders, may communicate with the independent members of our Board by writing to our Lead Director at:

ATTN: General Counsel, Mail Drop #29
Tennant Company
701 North Lilac Drive
P. O. Box 1452
Minneapolis, MN 55440-1452

All of the communications will be delivered to our General Counsel who will forward communications to our Lead Director to address the matter.

Committee Charters and Other Governance Documents

All four standing Committee Charters, as well as other governance documents including our Corporate Governance Principles and Business Ethics Guide, are available online by following these instructions:

- Go to our website at www.tennantco.com
- Click on “Company”
- Click on “Investors”
- Click on “Governance”
- Click on “Governance Documents”

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Director Compensation for 2016

In February 2015, the Board approved the following non-employee director compensation, which remained unchanged for the Board Year (the period between annual shareholders' meetings) commencing with the 2016 annual shareholders' meeting:

Component of Pay	Board Year Compensation
Board Retainer	$55,000 annually, paid in cash
Committee Member Retainer	Audit: $15,000 annually, paid in cash Compensation: $6,000 annually, paid in cash Governance: $5,000 annually, paid in cash
Additional Committee Chair Retainer	Audit: $10,000 annually, paid in cash Compensation: $10,000 annually, paid in cash Governance: $5,000 annually, paid in cash
Additional Lead Director Retainer	$20,000 annually, paid in cash
Annual Equity Grant	Restricted Stock: $50,000, grant date fair market value Stock Options: $50,000, grant date fair market value

Retainers may be paid in cash or elected to be deferred under the Tennant Company Executive Non-Qualified Deferred Compensation Plan. For additional information on this plan, see the Non-Qualified Deferred Compensation discussion under "Compensation Discussion and Analysis, Compensation Elements, Other Plans, Agreements and Special Payments, Non-Qualified Deferred Compensation."

All compensation paid to our directors who join the Board between annual shareholder meetings is pro-rated for partial years of Board service.

This non-employee director compensation package is reviewed periodically by our Compensation Committee and our Board using external data derived from the outside compensation consultant's review of proxy and survey data from the same sources as used in the executive compensation determination process. See "Compensation Discussion and Analysis, Compensation Determination Process."

Our Board has adopted a stock ownership goal for non-employee directors of five times their annual cash retainer paid by our Company, to be attained within five years from the date of election to our Board. Progress toward these ownership grants is measured once each year at the time of the February Board meeting.

Ownership levels are calculated by adding (i) the value of the shares held directly by the director, (ii) the estimated after-tax value of restricted shares, and (iii) the potential gains from vested options, as of the close of market on December 31 of the year immediately preceding the year of calculation. Directors who have served on our Board for five years or more have achieved their goals. Newer Board members are on pace for achieving their ownership targets within the five-year period.

The table below summarizes compensation paid to each person who served as a non-employee director for the year ended December 31, 2016:

DIRECTOR COMPENSATION

Name	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)(2)(3)	Option Awards ($)(2)(3)	Change in Pension Value and Non-qualified Deferred Compensation Earnings ($)(4)	Total ($)
Azita Arvani	$66,000	$49,996	$50,003	—	$165,999
William F. Austen	$76,000	$49,996	$50,003	—	$175,999
Carol S. Eicher	$71,000	$49,996	$50,003	—	$170,999
Donal L. Mulligan	$88,634	$49,996	$50,003	—	$188,633
Stephen G. Shank	$96,000	$49,996	$50,003	$577	$196,576
Steven A. Sonnenberg	$88,847	$49,996	$50,003	—	$188,846
David S. Wichmann	$76,000	$49,996	$50,003	—	$175,999
David Windley	$72,666	$59,536	$59,560	—	$191,762

(1) Includes annual and mid-year retainers and fees to committee members and chairs earned or paid in cash, even if any amounts were deferred.

(2) The valuation of stock and option awards is calculated using the aggregate grant date fair value, computed in accordance with FASB ASC Topic 718. See Footnote 17 - “Share-Based Compensation” to our financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2016, for the assumptions used in such valuation.

(3) The table below shows the aggregate number of stock awards and option awards held by each person as of December 31, 2016.

OUTSTANDING STOCK AND OPTION AWARDS

Name	Outstanding Shares (#)	Outstanding Options (#)
Azita Arvani	4,028	11,392
William F. Austen	10,860	22,956
Carol S. Eicher	8,579	19,915
Donal L. Mulligan	6,578	17,247
Stephen G. Shank	19,463	20,518
Steven A. Sonnenberg	12,773	22,518
David S. Wichmann	7,070	17,903
David Windley	1,096	4,245

(4) Amount includes above-market earnings on non-qualified deferred compensation, using 120% of the applicable federal long-term rate as the basis for market earnings.

Director Compensation for 2017

No changes were made to non-employee director compensation for 2017.

ITEM 1 - ELECTION OF DIRECTORS

At the Annual Meeting, two directors are to be elected. If elected, each will serve a three-year term to expire at the time of the Annual Meeting in 2020 and, in each case, until their successors are elected and have qualified. Each nominee has expressed his or her willingness to serve. In the event that any of the nominees is not a candidate at the Annual Meeting, it is the intention of the named Proxies on the Proxy Card to vote in favor of the remaining named nominees and to vote for a substitute nominee selected by our Governance Committee.

Our Board, upon recommendation of our Governance Committee, has designated Carol S. Eicher and Donal L. Mulligan as nominees for election at the 2017 Annual Meeting to serve a three-year term expiring in 2020.

Our Board of Directors, upon recommendation of our Governance Committee, recommends a vote FOR each of the director nominees.

AUDIT COMMITTEE AND INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM INFORMATION

Fees Paid to Independent Registered Public Accounting Firm

The following table represents fees for professional services rendered by KPMG for the audit of our annual consolidated financial statements, certain audit-related services, tax services and all other fees paid to KPMG for the years ended December 31, 2016 and 2015:

Description of Fees	2016 Amount	2015 Amount
Audit Fees(1)	$1,235,000	$1,292,221
Audit-Related Fees	—	—
Tax Fees(2)	350,000	300,874
All Other Fees(3)	—	14,291
Total	$1,585,000	$1,607,386

(1) Audit Fees for 2016 and 2015 include professional services rendered in connection with the audit of our consolidated financial statements, including quarterly reviews, statutory audits of certain of our international subsidiaries and the audit of internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002.

(2) Tax Fees for 2016 and 2015 consisted primarily of international tax compliance and consulting services.

(3) All Other Fees for 2015 consisted primarily of miscellaneous international services.

Our Audit Committee has adopted a Pre-Approval Policy for Non-Audit Services, which appears on our website as an exhibit to the Audit Committee charter. All audit-related, tax and other non-audit services were performed in compliance with the Pre-Approval Policy. Our Audit Committee has determined that the provision of the above non-audit services did not impact the independence of our independent registered public accounting firm.

Audit Committee Report

Our Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the independent registered public accounting firm, which is KPMG. Our Audit Committee and the Board of Directors believe that the retention of KPMG is in the best interest of the Company and its investors.

Our Audit Committee's meetings are designed to facilitate and encourage private communication between the Committee and KPMG. In addition, the Committee complied with its charter responsibilities and reviewed and discussed the audited consolidated financial statements with management. Our Audit Committee discussed with KPMG the matters required to be discussed by the applicable Public Company Accounting Oversight Board standards.

KPMG also provided to the Committee the written disclosures required by applicable requirements of the Public Company Accounting Oversight Board regarding independence, and the Committee discussed with KPMG the firm's independence.

Based upon the Committee's discussion with management and KPMG and the Committee's review of audited consolidated financial statements and the report of KPMG to the Committee, the Committee recommended that our Board include the audited consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2016, filed with the Securities and Exchange Commission.

Members of our Audit Committee

Donal L. Mulligan (Chair) William F. Austen
Steven A. Sonnenberg David S. Wichmann

ITEM 2 - RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

At the Annual Meeting, the shareholders will vote on the proposal to ratify the appointment of KPMG as our independent registered public accounting firm for the year ending December 31, 2017.

KPMG is an independent registered public accounting firm that has audited our accounts annually since 1954. The Audit Committee is responsible for the appointment, compensation and oversight of KPMG and believes that the retention of KPMG is in the best interests of the Company and its shareholders.

We have been advised that a representative of the firm will be present during the virtual Annual Meeting. The representative will be available to respond to appropriate questions and will be given the opportunity to make a statement if the firm so desires.

Our Board of Directors, upon recommendation of our Audit Committee, recommends a vote FOR ratification of KPMG LLP as our independent registered public accounting firm.

EXECUTIVE COMPENSATION INFORMATION

Compensation Discussion and Analysis

The Compensation Committee of our Board (the "Committee") administers and makes decisions regarding our executive compensation and benefit programs. The following discussion should be read in conjunction with the Summary Compensation Table and related tables and footnote disclosure setting forth the compensation of the following executive officers (referred to as the "Named Executives"):

- H. Chris Killingstad, President and Chief Executive Officer;
- Thomas Paulson, Senior Vice President, Chief Financial Officer;
- Richard H. Zay, Senior Vice President, The Americas;
- Heidi M. Wilson, Senior Vice President, General Counsel and Secretary; and
- Jeffrey C. Moorefield, Senior Vice President, Global Operations.

Overview of 2016 Performance

We are an industry leader focused on growing through innovative products, geographic expansion and serving new markets. We began investing behind our stated goal to reach $1 billion in sales and a 12% operating profit margin in 2013 and made considerable progress on both goals during 2014 and the first part of 2015. Our growth slowed at the end of 2015 and throughout 2016 due to a challenging, low-growth economic environment. As a result, in 2016 we missed our plan for top line growth. That said, we continued to successfully manage our expenses focusing on cost controls and improving efficiencies, which resulted in spending below our 2016 annual operating plan. We also continued to invest in growth strategies by making two small acquisitions, one of a floor coatings business in the US and the other of our long time Mexico distributor based in central Mexico, and we completed the divestiture of our Green Machines™ business.

When determining the level of achievement of the target metrics, the design of our incentive plans (as more fully described under "Key Compensation Decisions for 2016" below) automatically adjusts for unfavorable and extraordinary items of the type which negatively impact our financial results. Our 2016 incentive plans were designed with the expectation that there would be a certain level of continued adverse impact due to foreign currency exchange transactions and translation. Although our 2016 Operating Profit in dollars and as a percentage of net sales as reported exceeded the prior year and our 2016 annual operating plan, the Committee reduced the Operating Profit results by the amount which the foreign currency exchange impact was less unfavorable than contemplated when the targets were set. As reflected below, this led to a payout of 92.2% of the target bonus under the 2016 Short-Term Incentive Plan ("STIP") and 62% of the target shares under the 2014-2016 Long-Term Incentive Plan ("LTIP").

Performance Measure	Plan	2014	2015	2016	Change (2016 vs. 2015)
Net Sales ($ in millions)	STIP	$822	$812	$809	0.4% decrease
Incentive OP$ ($ in millions)	STIP	$72.1	$70.3 (1)	$66.7(3)	5.1% decrease
Incentive OP%	STIP	8.8%	8.7% (1)	8.3%(3)	40 basis point decrease
Incentive ROIC	LTIP	33.4%	33.4% (2)	29.6%(4)	380 basis point decrease

(1) Excludes restructuring charges and a non-cash long-lived asset impairment charge relating to the divestiture of the Green Machines™ outdoor cleaning line in accordance with the reconciliation included in the supplemental non-GAAP Financial Table in our earnings release for the year ended December 31, 2015, as filed with the SEC on a Form 8-K on February 23, 2016. Also excludes the incremental portion of the unfavorable impact of foreign currency in excess of the impact anticipated and included in the Company's 2015 operating plan and 2015 pre-established STIP target.

(2) Excludes restructuring charges and a non-cash long-lived asset impairment charge relating to the divestiture of the Green Machines outdoor cleaning line in accordance with the reconciliation included in the supplemental non-GAAP Financial Table in our earnings release for the year ended December 31, 2015, as filed with the SEC on a Form 8-K on February 23, 2016. Also excludes the unfavorable impact of foreign currency exchange in 2015 which was originally assumed to be immaterial in the 2014 pre-established LTIP target.

(3) Excludes the effects of the acquisition of assets of the Florock Polymer Flooring brand (“Florock”) as disclosed in our earnings release for the year ended December 31, 2016, as filed with the SEC on a Form 8-K on February 23, 2017. In addition, consistent with the incentive plan design, Operating Profit performance was reduced by $1.8 million, which reflected the amount by which the foreign currency exchange impact was less unfavorable than contemplated in the 2016 pre-established STIP target.
(4) Excludes the effects of the divestiture of the Green Machines outdoor cleaning line and the acquisition of assets of Florock as disclosed in our earnings release for the year ended December 31, 2016, as filed with the SEC on a Form 8-K on February 23, 2017. In addition, excludes the 2016 financial benefit impact on Operating Profit from the 2015 restructuring actions. Also excludes the unfavorable impact of foreign currency exchange in 2016 which was originally assumed to be immaterial in the 2014 pre-established LTIP target.

Compensation Objectives

Our overall objective is to align executive compensation with the short-term and long-term operating goals of our Company and the interests of our shareholders.

We seek to offer a program that provides a comprehensive compensation package that is competitive with those of similarly sized U.S. durable goods manufacturing companies. Our compensation programs take into account that an executive’s actual compensation level may be greater or less than average competitive levels based on our annual and long-term financial performance against pre-established goals, the individual’s performance and the individual’s scope of responsibilities.

Specifically, our compensation programs adhere to the following design philosophy and principles:

- Create a relationship between pay and performance by providing a strong link between our short-term and long-term business goals and executive compensation;
- Attract and retain high-caliber key executive officers who can create long-term financial success for our Company and enhance shareholder return;
- Motivate executive officers to achieve our goals by placing a significant portion of pay at risk;
- Align the interests of executive officers with those of our shareholders by providing a significant portion of compensation in stock-based awards; and
- Discourage risk-taking behavior that would likely have a material adverse effect on our Company.

The Company interpreted the response of our shareholders to the advisory "say-on-pay" vote received at last year's annual shareholders meeting, where 98.2% of the shares voted for the resolution, as strong support of our compensation philosophy, design and decisions.

Pay for Performance / Shareholder Return

The Committee works closely with its outside consultant to evaluate our compensation programs and ensure adherence to the Company's compensation philosophy of realizable pay for performance.

To that end, Pearl Meyer & Partners, LLC (“Pearl Meyer”), the Company's current independent compensation consultant, assessed the relationship between total realizable pay (as defined below) and our Total Shareholder Return (TSR) for the three-year period ended December 31, 2015. This approach uses the most recent period coinciding with our fiscal year end for which corresponding peer group compensation data is also available. The analysis aims to understand the degree of alignment between total compensation delivered to Named Executives during the review period and our performance relative to our peer group as identified in the “Comparator Group” section below. “Total realizable pay” for our Named Executives is defined as the sum of the following components:

- Actual base salaries paid over the three-year period;
- Actual short-term incentive awards paid for the three-year period;
- The Black-Scholes value, as of December 31, 2015, of any stock options granted over the three-year period;
- The value, as of December 31, 2015, of restricted shares granted over the three-year period; and
- The value, as of December 31, 2015, of performance restricted stock units earned for actual performance for cycles ending in 2013, 2014 and 2015.

For peer companies, realizable pay also includes cash-based long-term incentive plan payouts for cycles that ended within the three-year review period.

Pearl Meyer's analysis, as illustrated in the chart below, indicates that realizable pay, for our CEO and other Named Executives, was generally aligned with relative TSR. Realizable pay for the three-year period for our CEO approximated the 65th percentile, while realizable pay for Other Named Executives (excluding the CEO) was more conservative and approximated the 40th percentile. Our TSR over the same period of time approximated the 65th percentile.

Pearl Meyer also noted that three non-CEO executives covered under this analysis were not Named Executives for all of 2013 through 2015. As we provide target pay opportunities for our Named Executives that are competitive with proxy-reported executives of our peer companies, we expect competitive positioning on realizable pay to more closely approximate our relative TSR performance.

In addition, we have historically returned significant value to shareholders. The one-year total shareholder return improved in 2016, reflecting our strong operating fundamentals despite a struggling global economy. The three year total return was 9.1% and the five-year total shareholder return was 96.1%. In October 2016, we increased our quarterly cash dividend by 5%, marking the 45th consecutive year that we have increased our annual cash dividend payout. Also, in 2016 we purchased approximately 250,000 shares of our common stock at a cost of $13 million.

The following graph compares the cumulative total shareholder return on our common stock to two indices: S&P SmallCap 600 and Morningstar Industrials Sector. The graph below compares the performance for the last five fiscal years, assuming an investment of $100 on December 31, 2011, including the reinvestment of all dividends.

5-YEAR CUMULATIVE TOTAL RETURN COMPARISON

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Role of the Committee in the Compensation Process

The Committee ensures that our executive compensation and benefit programs are consistent with our compensation philosophy and other corporate goals and makes decisions regarding our Named Executives' compensation and, subject to final approval from our Executive Committee, our CEO's compensation. It is responsible for approving our Named Executives' base salary, short-term and long-term variable pay (together, "Total Direct Compensation") and analyzing other benefits and perquisites for executive officers.

Compensation Determination Process

The Committee typically meets three or four times a year to consider various aspects of executive officer and non-employee director compensation. In 2016, the Committee met four times. Among other things, it decides how to allocate each executive's Total Direct Compensation and determines the target level of Total Direct Compensation for each executive. The Committee seeks to set Total Direct Compensation and the allocation between each element so that it is consistent with our compensation objectives.

The Committee conducts a comprehensive review of Named Executive compensation in February of each year at which time it sets the executive officers' Total Direct Compensation. As part of the review, the Committee receives external reference data, primarily in the form of competitive market data, from its outside compensation consultant. From 2008 until 2016, the Committee used Hewitt to provide such external market information. On August 16, 2016, the Committee retained Pearl Meyer. See discussion regarding “Use of Outside Compensation Consultants” under the “Compensation Committee” description.

In setting compensation for 2016, the Committee reviewed competitive market data drawn from the proxy data of the respective comparator group identified below, the survey data from the Aon Hewitt Total Compensation Measurement™ database (“Survey Data”) and Hewitt's analysis of the collected data. In addition, the Committee considers internal data, including (i) each executive officer's performance, tenure, experience, management capabilities and contributions to our operations, and (ii) the tactical and strategic value to us of specific skill sets of certain key executives. When assessing our CEO's compensation, the Committee and Executive Committee evaluate our Company's financial performance against that of peer companies, our CEO's performance against goals, strategic development of our Company and our CEO's self-evaluation of his own performance.

In connection with the processes outlined above, for 2016, our Senior Vice President, Global Human Resources, provided input on the job scope of each executive officer, including her own, and facilitated the gathering of the market data used by the outside consultant. However, the outside consultant conducted the analysis, reviewed the information in advance with the Chair of the Committee and reviewed management's compensation recommendations with the Committee. Our Senior Vice President, Global Human Resources, is available for questions at the Committee meeting when the compensation of the executive officers, except our CEO, is discussed, but plays no role in determining her own compensation. The outside consultant independently met alone with the Committee, without the presence of members of management, when the compensation of the CEO was discussed.

Comparator Group

The comparator group used for benchmarking Total Direct Compensation for our Named Executives and for our non-employee director compensation is comprised of companies that (i) have annual revenues approximately in line with ours, (ii) have a global presence and (iii) are in the same general industry as us. At least annually, the outside compensation consultant assesses the comparator group to determine if the members still meet the Committee's criteria and if not, recommends that the Committee consider changes to the comparator group. The Committee reviews the information about the comparator group and makes changes where necessary to assure the comparator group meets its criteria. The Committee believes that this process to determine a relevant comparator group is appropriate and reflects best practice.

As part of the Committee's regular review of the comparator group to assure that the included companies continue to meet the criteria described above, in December 2015, in setting the 2016 comparator group for benchmarking Total Direct Compensation, they decided to remove Hardinge Inc. because it had a significant drop in revenue and market cap size.

As a result, the 19 companies that made up our 2016 comparator group at the time the Committee established 2016 executive and non-employee director compensation were:

Actuant Corporation	Graco Inc.
Altra Industrial Motion Corp.	H.B. Fuller Company
Barnes Group Inc.	Minerals Technologies Inc.
Briggs & Stratton Corporation	Nordson Corporation
Chart Industries, Inc.	Standex International Corporation
Circor International, Inc.	The Middleby Corporation
Clarcor Inc.	The Toro Company
Columbus McKinnon Corporation	Tredegar Corporation
Esco Technologies, Inc.	Watts Water Technologies, Inc.
Gorman-Rupp Co.	

In December 2016, as part of the Committee's regular review of the comparator group to assure that the included companies continue to meet the criteria described above, they decided to remove H.B. Fuller Company and Minerals Technologies Inc. from the comparator group for benchmarking Total Direct Compensation in 2017 in order to better reflect the Company's industry and business mix, and to add Alamo Group, Inc., Donaldson Company and Federal Signal Corp. for their industry, business mix and revenue size.

Additional Factors Considered in Setting Compensation Levels

Our compensation strategy is to target compensation levels within a competitive range of our comparator group at approximately the 50th percentile in cash compensation (base salary plus short-term incentive) and the 75th percentile for long-term incentive, positioning Total Direct Compensation between the 50th and 75th percentile. The Committee believes that this strategy provides sufficient short-term compensation to attract and retain competitive talent, but also places a sufficiently large share of compensation in the form of equity and variable performance-based pay to drive long-term performance goals. Changes in target incentive amounts for the Named Executives from 2015 to 2016 were made to align each Named Executive's Total Direct Compensation levels with these competitive ranges.

In addition, as part of the process in setting Total Direct Compensation each year, the Committee determines the relative mix for each Named Executive between fixed compensation and variable compensation, as well as cash versus equity compensation, keeping in mind our compensation objectives. Over the past several years, the Committee has increased the relative proportion of each executive officer's variable and equity compensation in an effort to increase the amount of the executive officer's Total Direct Compensation that is at risk and tied to performance. This reflects the Committee's belief that as an executive officer's scope and level within the organization increases so does their ability to impact our financial results and increase shareholder value.

The following chart provides information about the fiscal year 2016 target Total Direct Compensation mix for our CEO individually and the average of the other four Named Executives.

Total Direct Compensation Mix

Compensation Elements

We seek to achieve our compensation objectives using the following elements of compensation in our various short- and long-term compensation plans:

ELEMENT	TYPE	TERMS
Cash	Salary	The fixed amount of compensation for performing day-to-day responsibilities. Generally eligible for increase annually, depending on market conditions, performance and internal equity.
	Short-Term Incentive	Provides the opportunity for competitively based annual cash incentive awards for achieving the Company's, or relevant business unit's, short-term financial goals and other strategic objectives measured over the current year.
	Perquisites	Annual gross perquisite allowance ranging from $12,000 to $25,000 in lieu of providing benefits such as financial planning, automobile expenses and club membership dues. Executive medical examinations are made available.
Long-Term Incentive Compensation (100% Equity)	Restricted Stock (represents 20% of total annual award)	Restricted Stock generally vests three years from the grant date. Dividends are accumulated on Restricted Stock during the vesting period and paid in cash only on vesting.
	Performance-Based Restricted Stock Units (PRSUs) (represents 40% of total annual award)	The performance period for PRSUs is three years. Payment is variable based on the relative achievement of pre-set financial goals. PRSUs are paid in shares of Tennant common stock on settlement.
	Non-qualified Stock Options (represents 40% of total annual award)	Stock Options generally vest in equal installments over three years from the grant date and have a ten-year term.
	Time-Based Restricted Stock Units (RSUs) (used for one-time grants outside of LTIP program)	RSUs generally vest two or three years from the grant date. RSUs are paid in shares of Tennant common stock on settlement.
Retirement	Retirement Savings Plan	A qualified 401(k) plan that provides participants with the opportunity to defer a portion of their compensation, up to tax code limitations, receive a Company matching contribution and receive a profit sharing contribution based on Company performance for a given year.
	Supplemental Retirement Savings benefits (provided under the Tennant Non-Qualified Deferred Compensation Plan)	Extends an individual's retirement savings, on a non-qualified basis, for compensation in excess of the tax code limitations under the same terms as the Retirement Savings Plan.

Key Compensation Decisions for 2016

The following table reflects year-over-year changes in each element of target Total Direct Compensation for our Named Executives. Adjustments were made to the target payout as a percentage of base salary for STIP and LTIP for certain of the Named Executives in order to remain within the competitive target compensation range of our comparator group.

	Base Salary		STIP (Target Payout as a % of Base Salary)		LTIP	
POSITION	2015	2016	2015	2016	2015	2016[(2)]
President and CEO	$707,795	$707,795	120%	120%	320%	320%
Senior Vice President, Chief Financial Officer	$400,480	$400,480	70%	70%	175%	175%
Senior Vice President, The Americas	$313,120	$313,120	55%	60%	125%	145%
Senior Vice President, General Counsel and Secretary	$311,771	$311,771	50%	55%	115%	125%
Senior Vice President, Global Operations	(1)	$300,000	(1)	55%	(1)	125%

(1) Our Senior Vice President, Global Operations, was not a Named Executive in 2015.
(2) Due to timing, the 2016-2018 LTIP was calculated with the Committee-approved base salary increases, which management did not accept due to cost control measures.

Base Salary

Although the Committee approved salary increases for the Named Executives, given the uncertain economy and other cost control measures being taken throughout the Company, the Named Executives chose not to accept a salary increase in 2016.

Incentive Compensation Metrics

Our incentive compensation plans are designed to reward our Named Executives for our Company’s achievement against key financial performance metrics. Each of the metrics used in the compensation granted in 2016 is defined below:

- Incentive Operating Profit in dollars ("Incentive OP$") is determined by measuring our reported net sales minus operating expenses, which includes the cost of sales, research & development expenses and selling & administration expenses, and excludes certain extraordinary or non-operational items, if any;
- Incentive Operating Profit as a percentage of net sales ("Incentive OP%") is determined by dividing Incentive OP$ by our reported annual net sales;
- Incentive Return on Invested Capital ("Incentive ROIC") is defined as: Incentive OP$ / (Total Assets - Cash - Short-Term Investments) - (Total Liabilities - Debt); and
- Average Organic Revenue is defined as our reported annual net sales excluding the impact of foreign currency exchange and divestitures and acquisitions, when applicable, for each of the three years in the performance period divided by three.

With respect to OP$ and OP%, the Committee has authority to interpret our incentive plans and adjust the metrics and take other actions in its sole discretion to assure that the plans operate consistently with the Committee’s goals. The plans were designed such that when calculating the relative achievement of the metrics on an annual basis, certain unfavorable extraordinary or non-operational items are automatically excluded. The Committee may then exercise negative discretion to disallow each adjustment and exclude any other favorable items.

In 2016, our Incentive OP$ and OP% excluded the impact of the Company’s acquisition of Florock and, consistent with the incentive plan design, was reduced by $1.8 million, which reflected the amount by which the foreign currency exchange impact was less unfavorable than contemplated. For additional information, see "Overview of 2016 Performance" in this Proxy Statement.

The following table provides a reconciliation from US GAAP amounts to Incentive OP$ and OP% in 2016:

2016	OP$	OP%
Operating Profit, As Reported	$68,500,000	8.5%
Florock Acquistion Adjustment	($49,000)	
Incremental Foreign Currency Adjustment	($1,800,000)	
Incentive Operating Profit	66,700,000	8.3%

For purposes of calculating the payout of the Performance-Based Restricted Stock Units ("PRSUs") under the 2014-2016 LTIP, the Incentive ROIC excluded the effects of the divestiture of the Green Machines™ outdoor cleaning line and the acquisition of assets of Florock. In addition, it excluded the 2016 financial benefit impact on Incentive OP$ from the 2015 restructuring actions. Finally, the Incentive ROIC calculation also excluded the unfavorable impact of foreign currency exchange which was originally assumed to be immaterial in the 2014 pre-established LTIP target. The following table provides a reconciliation from US GAAP amounts to Incentive OP$ in 2016, which are used in calculating Incentive ROIC.

	2014	2015	2016	3-year Simple Average
Operating Profit, As Reported	$72,100,000	$53,200,000	$68,500,000	
Restructuring Charge Adjustment	—	$3,700,000	—	
Impairment Charge Adjustment	—	$11,200,000	—	
Foreign Currency Adjustment	—	$13,000,000	$14,200,000	
Florock Acquisition Adjustment	—	—	($49,000)	
2016 Financial Benefit Impact on Operating Profit from the 2015 Restructuring Actions	—	—	($2,866,000)	
Incentive Operating Profit for ROIC	$72,100,000	$81,100,000	$79,785,000	
Invested Capital	$215,800,000	$242,700,000	$269,230,000	
Incentive ROIC	33.4%	33.4%	29.6%	32.2%

Achievement of 2016 Short-Term Incentive

The Committee selected Incentive OP$ and Incentive OP% as the performance metrics under our 2016 STIP to incentivize achievement of our Company's core financial performance. In setting the target Incentive OP$ and Incentive OP% for the 2016 STIP, the projected negative impact from foreign currency was built into the Company's 2016 operating plan and thus the targets. This resulted in the 2016 Incentive OP$ and OP% targets being set lower than the 2015 actual results for Incentive OP$ and OP%. However, as discussed above, the final Incentive OP$ and OP% calculations were reduced by the amount which the foreign exchange impact was less unfavorable than contemplated when the targets were set.

Performance Measure	Weighting	Threshold	Target	Maximum	2015 Actual	2016 Actual
Incentive OP$ ($ in millions)	70%	$61.2	$68.1	$81.6	$70.3	$66.7
Incentive OP%	30%	7.9%	8.3%	9.1%	8.7%	8.3%
Payout Level (% of Target Payout)	—	50%	100%	200%	103.3%	92.2%

Generally, the STIP target payout for our Named Executives is based 100% on the financial performance of our Company as a whole; however, for our Senior Vice President, The Americas, 75% of the 2016 target bonus was tied to financial results of our Company as a whole and 25% of the 2016 target bonus was tied to the financial results of the Americas, with Incentive OP$ (weighted 70%) and Incentive OP% (weighted 30%). The performance metric for the Americas business unit generally required a proportionate level of performance improvement by that unit substantially similar to that of our Company as a whole in order to achieve the target payout. In setting the targets for the Americas business unit, the Committee strives to make the difficulty of achieving the target level on par with the corporate target

levels, but considering the specific circumstances facing the Americas business unit in any given year. Accordingly, our Senior Vice President, The Americas, earned a 2016 STIP payout equal to 100.82% of his target bonus level.
For the 2016 STIP, no Named Executive may receive a payout in excess of $2 million.

Achievement of 2014-2016 LTIP

The Committee approved the following structure for the 2014-2016 LTIP for the Named Executives:
- 40% non-qualified stock options vesting ratably over three years;
- 40% PRSUs that vest in three years based on the performance metrics described below; and
- 20% restricted stock that cliff vest at the end of three years.

The PRSUs were designed to reward Incentive ROIC improvement and are based solely on a three-year simple average Incentive ROIC compared to internal goals set by the Committee.
On February 14, 2017, the Committee determined that the Incentive ROIC metric relative to internal performance was achieved with a three-year simple average Incentive ROIC of 32.2% and qualified for a payout of 62% of the Named Executives' PRSUs.

Performance Measure	Threshold	Target	Maximum	2014-2016 Three-Year Average Incentive ROIC Actual
Incentive Return on Invested Capital	31%	36%	42%	32.2%
Payout Level (% of Target Payout)	50%	100%	200%	62%

For details regarding the PRSUs paid in 2016, see "Executive Compensation Information - Option Exercises and Stock Vested in 2016" in this Proxy Statement.

Grant of 2016-2018 LTIP

In February 2016, the Committee approved the 2016-2018 LTIP for the Named Executives with the same percentage allocations for non-qualified stock options, PRSUs and restricted stock as the 2014-2016 LTIP.
As with the 2015-2017 LTIP, the metrics for PRSUs in this plan require an Incentive ROIC threshold be met before considering an Average Organic Revenue target. The Average Organic Revenue target was maintained in the plan design to continue to create greater alignment between the incentive program and the Company's strategic focus on growth, as well as to be able to clearly communicate expectations to our employees. The Incentive ROIC metric maintains a balance sheet focus and is largely a profitability metric.
To determine if PRSUs will be paid out at all, the Company must achieve a certain three-year average Incentive ROIC threshold. If the Incentive ROIC threshold is achieved, a three-year Average Organic Revenue target will be used to determine the variable payout in shares at the end of the performance period. Incentive ROIC will be adjusted for certain types of extraordinary items as defined and approved by the Committee at the beginning of the performance period.
For the specific grants made to our Named Executives under the 2016-2018 LTIP, see the Summary Compensation Table and the table relating to Grants of Plan-Based Awards in 2016. For an explanation of why the grant size varied by Named Executive, see above section on "Factors Considered in Setting Compensation Levels."

Other Long-Term Incentive Compensation Outstanding

2015-2017 LTIP

For the 2015-2017 LTIP, the Committee approved the same structure described above under the 2016-2018 LTIP.

2017 Compensation

Our executive compensation programs and plan structures for 2017 are generally consistent with our programs and plans in 2016. The PRSUs component of the 2017-2019 LTIP retains Incentive ROIC and Average Organic Revenue as the performance measures; however, Incentive ROIC will now be used as a metric for determining payout levels (instead of using it as a threshold factor), with Incentive ROIC weighted 75% and Average Organic Revenue weighted 25%.

Other Plans, Agreements and Special Payments

Executive officers may also receive payments through various other agreements and the plans described below or in the event of special circumstances. These agreements and plans are typically required in the competitive environment to attract and retain talent.

Retirement Savings Plan

Our Named Executives are generally eligible to participate in the broad-based welfare benefit programs that we sponsor, including the Tennant Company Retirement Savings Plan ("Savings Plan"). This qualified retirement plan is available to all eligible employees, as defined by the plan, and allows for pre-tax elective deferrals, Roth contributions and a Company matching contribution of up to 3% of eligible compensation up to $265,000. In addition, the plan allows profit sharing contributions by the Company based on the relevant metric set. This additional profit sharing contribution is paid into each eligible employee's account under the plan unless the amount exceeds 3.5% of eligible compensation, in which case 3% is paid into the eligible employee's account under the plan and the balance of the actual calculated profit sharing amount is paid in cash to the employee. For 2016, the Incentive OP$ goal was $68.1 million and our Company achieved $66.7 million, which, under the terms of the plan, resulted in a profit sharing contribution equal to 2.79% of eligible compensation up to $265,000.

Non-Qualified Deferred Compensation

Our executive officers are eligible for supplemental non-qualified benefits under the Tennant Company Executive Non-Qualified Deferred Compensation Plan. The intention of this portion of the plan is to provide participating individuals with benefits that would otherwise be available to them under our tax-qualified plans but for the application of limitations on benefits imposed by the Internal Revenue Code of 1986. In addition, the Tennant Company Executive Non-Qualified Deferred Compensation Plan allows employee participants to defer the receipt of base salary and STIP payments and non-employee directors to defer their annual retainers.

The Tennant Company Executive Non-Qualified Deferred Compensation Plan permits the following:

Executive Officer and Non-Employee Director Deferred Compensation

- Executive officers may elect to defer two elements of their Total Direct Compensation: base salary and STIP payouts. Our Named Executives may elect to defer 0-25% of their base salary and 0-100% of their STIP payout.
- Non-employee directors may elect to defer 0%, 50% or 100% of their annual retainer.
- The interest rate earned on deferrals in 2016 was 3.27%.

Defined Contribution Features

- Certain management and executive officers may defer income on a pre-tax basis in excess of the deferral amounts allowed under our tax-qualified Savings Plan.
- Participating management and executive officers may receive discretionary Company contributions under this plan in the form of excess profit sharing and matching contributions not available to them under the Savings Plan.

Defined Benefit Features

- A defined benefit portion of the plan is intended to provide benefits not otherwise available to participants in the closed tax-qualified Tennant Company Pension Plan.

Participants' accounts are fully vested at all times except that a participant forfeits all Company discretionary matching contributions and profit sharing contributions in the event of termination for cause. Pursuant to this plan, "cause" means (i) the participant's gross negligence, fraud, disloyalty, dishonesty or willful violation of any law or significant policy, to the extent committed in connection with the position or (ii) the participant's failure to substantially perform (for reasons other than disability) the duties reasonably assigned or appropriate to his or her position. In each case, the participant's behavior must have resulted in a material adverse effect on our Company or an affiliate.

Benefits attributable to amounts contributed or deferred after January 1, 2003, and allocated to Account A, commence distribution within an administratively feasible time following the participant's termination date, or if necessary to comply with Internal Revenue Code §409A, the payment will be delayed at least six months following termination. Benefits attributable to deferrals made after January 1, 2003, Company contributions and gains and losses credited thereon are payable in either a lump sum or in quarterly installments over a period of up to ten years.

Executive Employment Agreements and Management Agreements

The Committee has determined that we should provide certain post-termination benefits to our executive officers to obtain the benefits of their services and attention to our affairs. In exchange for the benefits we provide, our executive officers are required to agree to certain confidentiality, non-competition and cooperation covenants, which our Committee believes are valuable to us when an executive's employment terminates. In addition, the Committee believes that we should provide an inducement for our executive officers to remain in the service of our Company in the event of any proposed or anticipated change in control of our Company in order to facilitate an orderly transition in the event of a change in control of our Company, without placing the executive in a position where he or she is concerned about being terminated without compensation in connection with such a transaction. We also require executive officers to sign a release of their claims against us as a condition to receiving payments from us, and this release and the other covenants are more likely to be enforceable as a result of the benefits we provide to employees under these agreements. For these reasons, we have entered into Executive Employment Agreements and Management Agreements with our executive officers, including the Named Executives, the terms of which are described below under "Potential Payments upon Termination or Change in Control."

Generally, the agreements only provide for benefits in the event the executive is terminated without cause; however, certain benefits are also provided if the executive voluntarily terminates his or her employment for good reason. The Committee believes that a termination by an executive for good reason may be conceptually the same as termination by our Company without cause. This is particularly true in the case of a change in control where a potential acquirer would otherwise have an incentive to constructively terminate the executive's employment to avoid paying severance benefits. As a result, the definition of good reason in the context of a termination following a change in control is broader than the definition that applies to a termination prior to a change in control. These good-reason definitions are described below under "Potential Payments upon Termination or Change in Control." No payments become due merely upon a change in control, but rather only if the executive officer's employment is terminated without cause or if the executive officer terminates for good reason following the change in control, which is often referred to as a "double trigger."

The form and level of benefits provided under these agreements have been approved by the Committee based on historical practices at our Company and general information about the level of benefits provided by other companies with whom we compete for executive talent.

Our equity awards for all employees generally provide for acceleration of vesting, or lapse of restrictions, upon a change in control. The Committee believes that acceleration upon a change in control is appropriate to minimize the risk that executive officers might favor a particular transaction based on the likely impact on the executive officer's equity awards, to increase the likelihood that the employees will remain with the Company after becoming aware of a pending or threatened change in control, and due to the increased likelihood that employees may be terminated by a successor through no fault of their own.

Compensation Policies

Recoupment Policy

We have a recoupment (or clawback) policy that applies to our cash and equity incentive awards which provides that, in the event our Company is required to restate its financial results, then our Board, in its discretion, may require certain recipients of such payments to forfeit their equity awards and pay back to our Company the net proceeds from any cash incentive payment and proceeds from the sale of shares received under the equity awards. The amount of the repayment for any cash incentive award is the difference between the amount paid to the employee less the amount that would have been paid based on the restated results. The policy is applicable to all employees designated as access persons under our insider trading policy (persons with access to detailed financial and other insider information, a group that includes all executive officers). The amount of any equity award repayment may include dividends paid on the shares.

Prohibition on Hedging and Pledging

Our insider trading policy prohibits access persons from engaging in speculative trading or hedging of positions in Tennant securities, including writing or trading in options, warrants or any other derivatives of Tennant securities, and from entering into any transactions designed specifically to protect or hedge against a decrease in value of Tennant securities. It also prohibits pledges of any Tennant securities (e.g., pledge to a bank or financial institution as collateral for a loan, or pledge to a broker in connection with a market transaction, such as a margin loan or prepaid forward sale contract).

Granting of Equity Awards

We have an equity award approval policy to ensure that all equity awards are approved pursuant to proper authority, follow a consistent process, and are reflected in appropriate documentation. Under the policy, equity awards that have an exercise price or number of shares that are based on the fair market value of our stock on the date of grant are only granted at times when trading is permitted under our insider trading policy. This policy ensures that the exercise price or number of shares is determined by reference to a stock price that reflects current public information about our Company. The policy includes procedures for granting equity awards to our executive officers and non-employee directors, as well as all other employees. Under our plans, the exercise price of stock options is based on the fair market value on the date of grant. Our plans define fair market value as the closing price of our common stock on the preceding trading day.

Executive Officer Stock Ownership Guidelines

To align our executive officers' interests with our shareholders' interests, the Committee expects our executive officers to acquire significant equity ownership. We adopted these guidelines in 1993 and revised them in August 2015 to (i) increase the ownership level for the Named Executives, other than our CEO, from one times to two times annual base salary and (ii) change how the ownership levels are calculated by eliminating potential gains from unvested options. The guidelines require that within five years of service in an executive role, each executive must have achieved an equity ownership level equal to a specified multiple of his or her base salary.

The minimum equity ownership levels are five times annual base salary for our CEO and two times annual base salary for the other Named Executives. Ownership levels are calculated based on actual shares owned plus the estimated after-tax value of restricted and unrestricted shares, deferred stock units and shares held under our benefit plans, and potential gains from vested options. The calculation uses a stock value as of the close of market on December 31 of the year immediately preceding the year of calculation.

Executive officers who have held executive positions with us for five years or more have achieved their goals. Newer executive officers are on pace for achieving their ownership targets well within the five-year range.

Internal Revenue Code §162(m)

We seek to structure our compensation programs, where possible, to qualify for exemptions from the deduction limitations under Internal Revenue Code Section 162(m). Section 162(m) limits the tax deductibility of compensation paid to our covered officers to $1 million per year. This limitation does not apply to "performance-based compensation" that complies with Section 162(m). One of the conditions for qualification as "performance-based compensation" is that our shareholders must approve the material terms of the performance measures and reapprove those material terms every five years.

Certain of our compensation programs, including our 2015 Short-Term Incentive Plan and our Amended and Restated 2010 Stock Incentive Plan, as Amended, are designed so that certain payments made under those plans qualify for the exemption from the deduction limitations of this section. The Committee's primary objective in designing and administering the Company's compensation programs is to support and encourage the achievement of the Company's long-term strategic goals and to enhance shareholder value as described above. When consistent with this compensation philosophy, the Committee also intends to structure the Company's compensation programs such that compensation paid thereunder generally will be tax deductible by the Company. The Committee believes that shareholder interests are best served by not restricting the Committee's discretion and flexibility in crafting compensation programs, even though such programs may result in certain non-deductible compensation expenses. Accordingly, the Committee has approved, and may in the future approve, compensation arrangements for executive officers that are not fully tax deductible.

Compensation Committee Interlocks and Insider Participation

The Committee is comprised entirely of independent, outside directors. No employee of our Company serves on the Committee. The Committee members have no interlocking relationships as defined by the SEC.

Compensation Committee Report

The Committee has discussed and reviewed the Compensation Discussion and Analysis with management. Based upon this review and discussion, the Committee recommended to our Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

Members of our Compensation Committee

David Windley (Chair) Azita Arvani William F. Austen
Carol S. Eicher Stephen G. Shank David S.
Wichmann

Summary Compensation Table

The following table sets forth the cash and non-cash compensation awarded to, earned by or expensed with respect to each person who served as Chief Executive Officer or Chief Financial Officer and the three other most highly compensated executive officers for 2016. The individuals set forth in this table comprise the list of Named Executives.

Name and Principal Position	Year	Salary ($)	Stock Awards ($)[1]	Option Awards ($)[2]	Non-Equity Incentive Plan Compensation ($)[3]	Change in Pension Value and Non-qualified Deferred Compensation Earnings ($)[4]	All Other Compensation ($)[5]	Total ($)
H. Chris Killingstad President and Chief Executive Officer	2016	710,517	1,399,771	933,141	` 783,359	946	116,782	3,944,516
	2015	705,443	1,358,955	906,225	877,383	—	110,640	3,958,646
	2014	684,896	1,100,796	733,829	607,921	—	95,677	3,223,119
Thomas Paulson Senior Vice President, Chief Financial Officer	2016	402,020	433,094	288,742	258,554			