TENNANT CO
Form DEF 14A
March 14, 2018

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

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

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

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

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material under §240.14a-12

TENNANT COMPANY

(Name of 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):

ý No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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Tennant Company
701 North Lilac Drive
Minneapolis, Minnesota 55422

March 16, 2018

Dear Shareholder,

Tennant Company's 2018 Annual Meeting of Shareholders will be held at the Minneapolis Marriott West, Galway Ballroom A/B, 9960 Wayzata Boulevard, St. Louis Park, MN 55426 on Wednesday, April 25, at 10:30 a.m. Central Time or at any adjournment or postponement thereof.

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 meeting without limiting our shareholders' access to important information about Tennant.

Whether or not you plan on attending 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, as soon 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 seeing you at the meeting.

Sincerely,

Jeffrey L. Cotter
General Counsel and Corporate Secretary

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Time and Date:	Wednesday, April 25, 2018 at 10:30 a.m. Central Time
Place:	Minneapolis Marriott West, Galway Ballroom A/B, 9960 Wayzata Boulevard, St. Louis Park, MN 55426
Items of Business:	(1) Elect three directors to a three-year term;
	(2) Ratify the appointment of KPMG LLP as the our independent registered public accounting firm for 2018;
	(3) Approve of an amendment to our Restated Articles of Incorporation to adopt majority voting for the election of directors in uncontested elections; and
	(4) Advisory approval of executive compensation.
Who May Vote:	You may vote if you were a shareholder of record as of the close of business on February 28, 2018
Proxy Voting:	It is important that your shares are voted, whether or not you attend the meeting in person. You are encouraged to vote your shares, as instructed in the Notice of Internet Availability of Proxy Materials, as soon 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.

Jeffrey L. Cotter, General Counsel and Corporate Secretary
March 16, 2018

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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 its Board of Directors, is supplying this Proxy Statement in order to obtain your vote in connection with its Annual Meeting of Shareholders.

The Annual Meeting will be held at Minneapolis Marriott West, Galway Ballroom A/B, 9960 Wayzata Boulevard, St. Louis Park, MN 55426, on Wednesday, April 25, 2018, at 10:30 a.m. Central Time.

The Notice of Internet Availability of Proxy Materials is being first mailed to shareholders on or about March 16, 2018.

How do I access the proxy materials?

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

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 via 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, and it provides information about 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 February 28, 2018. As of February 28, 2018, there were 17,894,301 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. Eastern Time on April 24, 2018. Please have your Notice of Internet Availability of Proxy Materials or, if you have requested one, your proxy in hand, together with 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.

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2. *By Phone*

Request a proxy from us by following the instructions on your Notice of Internet Availability of Proxy Materials. You may then call 1-800-690-6903 by using any touch-tone phone, 24 hours a day, 7 days a week, until 11:59 p.m. (Eastern Time) on April 24, 2018. Have your proxy in hand when calling. You will also 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 from us by following the instructions on your Notice of Internet Availability of Proxy Materials. Mark, sign and date your proxy 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. *In person during the Annual Meeting*

All shareholders may vote in person at the Annual Meeting. Paper ballots will be available for voting at the meeting. See below for instructions on voting in person 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, 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 in person 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 in person 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 includes any shares you hold in the Savings Plan. To be effective, your voting instructions must be received by the Trustee by April 20, 2018. Shares held in the Savings Plan may not be voted in person 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.

Why should I vote?

Your vote ensures that your ownership interests are represented even if you are unable to join the Annual Meeting in person. A promptly voted proxy will save us additional solicitation expense.

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May I revoke my proxy or change my vote?

Proxies may be revoked at any time before being voted in person 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 our Corporate Secretary at the company's address listed on page 4 of this Proxy Statement;
- sending a signed proxy, dated later than the prior proxy, to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717;
- voting again by telephone or on the Internet prior to the meeting; or
- attending the meeting, revoking your proxy and voting in person during the meeting.

Merely attending the meeting in person will not 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 in person 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.

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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 three directors to a three-year term	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 the company's independent registered public accounting firm for 2018	Majority of shares present in person or by proxy and entitled to vote[3]	FOR AGAINST ABSTAIN	FOR	Yes	AGAINST
Item 3: Approval of Amendment to Restated Articles of Incorporation	Majority of shares present in person or by proxy and entitled to vote[3]	FOR AGAINST ABSTAIN	FOR	No	AGAINST
Item 4: Advisory approval of executive compensation	The company will consider shareholders to have approved the advisory vote on our executive compensation if the votes cast FOR exceed the votes cast AGAINST	FOR AGAINST ABSTAIN	FOR	No	None

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 Items 2 and 3 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, employees or others, 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.

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BOARD OF DIRECTORS

INFORMATION, QUALIFICATIONS, EXPERIENCE AND TENURE

Directors with terms expiring at the Annual Meeting are Azita Arvani, Steven A. Sonnenberg and David S. Wichmann.

Director Nominees for Terms Expiring in 2021 (Class II Directors):

AZITA ARVANI, 55 **Director Since 2012**

Head of Innovation Partner & Venture Management for Nokia, a global communications, information technology and consumer electronics company, since March 2017.

Head of Global Innovation Scouting for Nokia 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 to 2011.

Vice President, Business Development and Strategy, for ActiveSky, a provider of an online mobile multimedia application development and distribution platform, from 2000 to 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 to 2000.

Member of the Compensation, Governance and Executive Committees.

Qualifications:	Ms. Arvani, through her work with Nokia and prior responsibilities, brings extensive experience in disruptive technologies, commercializing innovations, partnerships and ecosystems. As an executive leader and a consultant, she has helped a diverse set of companies develop and commercialize game-changing technologies. Her experience in new technologies and innovations is particularly valuable as we evolve our telemetry, robotics, and sustainable cleaning technologies.

STEVEN A. SONNENBERG, 65

Director Since 2005
Lead Director Since 2016

Senior Advisor, Emerson Automation Solutions, a business unit of Emerson Electric Company, a worldwide technology and engineering company, since January 1, 2018.

Chairman, Emerson Automation Solutions from May 2016 to December 2017.

Executive Vice President, Emerson Electric Company, and President for Emerson Process Management from 2008 to April 2016.

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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 to 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 are critical to successful, scalable growth and expansion, which applies directly to our process improvement and growth initiatives. Mr. Sonnenberg's experience with global acquisitions, joint ventures and expertise in emerging markets is also very valuable as we grow our global business.

DAVID S. WICHMANN, 55 **Director Since 2009**

Chief Executive Officer for UnitedHealth Group Incorporated, a diversified health and well-being company, since September 2017.

Held various executive positions with UnitedHealth Group since 1998, including President for UnitedHealth Group Incorporated, 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, Optum; and Senior Vice President, Corporate Development, UnitedHealth Group.

Partner, Arthur Andersen, from 1995 to 1998.

Chief Financial Officer for Advance Machine Company from 1992 to 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, Mr. Wichmann has experience across multiple businesses through his early consulting practice with Arthur Andersen and as Chief Financial Officer of a company in our industry. Mr. Wichmann's 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, 59 **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 to 2004.

Held various positions with General Electric Company from 1980 to 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, including our international operations and growth initiatives.

H. CHRIS KILLINGSTAD, 62 **Director Since 2005**

President and Chief Executive Officer for Tennant Company since 2005.

Vice President, North America, for Tennant from 2002 to 2005.

Held various senior management positions with The Pillsbury Company, including Senior Vice President and General Manager, from 1990 to 2002.

International Business Development Manager for PepsiCo Inc. from 1982 to 1990.

Financial Manager for General Electric from 1978 to 1980.

Qualifications: Mr. Killingstad, our President and Chief Executive Officer, 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.

DAVID WINDLEY, 54 **Director Since 2016**

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. from December 2006 to September 2012.

General Manager, Human Resources, for Microsoft Corporation from December 2003 to December 2006.

Vice President Human Resources, Business Units, for Intuit Inc. from December 2001 to December 2003.

Held various positions with Silicon Graphics, Inc. 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 our go-to-market initiatives.

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Director Whose Terms Expire in 2020 (Class I Directors):

CAROL S. EICHER, 59 **Director Since 2008**

Non-executive board chairman of Innocor, Inc., (Bain Capital portfolio company) a designer and manufacturer of home furnishings, since August 2017.

Chief Executive Officer of Innocor, Inc., from May 2014 to July 2017.

Business President for Coating Materials and Building and Construction for The Dow Chemical Company 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 to 2003; Business Director, Organic Specialties for Rohm and Haas from 2000 to 2001.

Held various senior management positions with Ashland Chemical Company, a division of Ashland, Inc., from 1992 to 2000.

Held various management positions with E.I. DuPont de Nemours and Company, Inc. from 1979 to 1992.

Chair of the Governance Committee, member of the Compensation and Executive Committees.

Member of the Board of Directors of A. Schulman, Inc.

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.

DONAL L. MULLIGAN, 57 **Director Since 2009**

Executive Vice President and Chief Financial Officer for General Mills, Inc. since 2007.

Held various executive positions with General Mills from 2001 to 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 to 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 to 1998.

Chair of the Audit Committee, member of the Governance and Executive Committees.

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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.

MEETING ATTENDANCE

During 2017, the board met on four occasions. All directors attended all but one of the board meetings, and directors attended at least 80% of the respective committee meetings on which they serve.

As set forth in the Corporate Governance Principles, all members of the board are encouraged to attend the annual meetings of shareholders. With the exception of Mr. Shank, all then serving directors attended the 2017 Annual Meeting of Shareholders. Mr. Shank's resignation from the board was effective with our 2017 Annual Meeting.

DIRECTOR INDEPENDENCE

The 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. The board has determined that Mmes. Arvani and Eicher and Messrs. Austen, Mulligan, Sonnenberg, Wichmann and Windley are independent based on the standards referred to above.

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

These transactions were considered by the board in determining director independence.

For 2017, 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., in the approximate amount of $16,000, (ii) Ms. Eicher's employer, Innocor, Inc., in the approximate amount of $5,000, (iii) Mr. Mulligan's employer, General Mills, Inc., in the approximate amount of $191,000, and (iv) Mr. Sonnenberg's employer, Emerson Electric Company, in the approximate amount of $221,000. In addition, we purchased services from an affiliate of Mr. Wichmann's employer, UnitedHealth Group Incorporated, in the approximate amount of $40,000. 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.

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

The 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, Mr. Killingstad, is a member of the board. However, he does not serve as Chair of the board. Mr. Killingstad works closely with Mr. Sonnenberg to set and

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approve the agenda of board meetings, to ensure that there is an appropriate flow of information to the board, and to ensure that management properly and adequately addresses matters of interest to the board.

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

The board appointed Mr. Sonnenberg Chair of the Executive Committee and Lead Director in August 2016. The 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 board.

The role of the Lead Director is to provide independent leadership to the board, act as a liaison between the independent directors and the company and ensure that the board operates independently of management.

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

The principal responsibilities assigned to the Lead Director include:

- chairing the board in the absence of Mr. Killingstad;
- organizing and presiding over all executive sessions of the board;
- serving as liaison between the independent directors and Mr. Killingstad;
- in concert with Mr. Killingstad 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 Mr. Killingstad 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
- carrying out other duties as requested by the board.

Currently, the 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

The board, including through its committees, takes an active role in risk oversight of the company. The agendas for the board and committee meetings are specifically designed to include an assessment of opportunities and risks inherent in our operations, strategies and compensation plans.

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The board typically meets in executive session at the beginning and at the end of each regularly scheduled meeting. The executive sessions are used to assist the board in carrying out its duties, including risk oversight. We believe that the process followed by the independent directors and led by Mr. Sonnenberg 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 the Audit Committee and to the board each December. Risk assessment updates are provided at each regularly scheduled quarterly Audit Committee meeting and more frequently if requested by a committee, the board or recommended by management.

The objectives for the risk assessment process include (i) facilitating the NYSE governance requirement that the Audit Committee discuss policies around risk assessment and risk management, (ii) developing and addressing a defined list of key risks to be shared with the 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 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 the company to risk, the 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, the Compensation Committee reviews and discusses the level of enterprise risk associated with our executive and non-executive employee compensation policies, practices and designs, including our short- and long-term incentive compensation plans and sales commission and incentive plans (for purposes of this discussion, "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 2017, management presented the Compensation Committee with an analysis of our compensation plans and a review of the key areas of potential risks, and concluded that the risks arising from our compensation plans do not encourage excessive risk-taking that would likely lead to having a material effect on the company's financial condition. The Compensation Committee discussed this conclusion with management.

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The Compensation Committee concluded that the executive compensation plans mitigate unnecessary risk taking in both design and by the controls placed upon them because (i) the pay mix is appropriately balanced between fixed and variable components, and there is good balance of cash and equity pay mix that is consistent with the market practice, (ii) the metrics used for annual cash and long-term incentive program are distinct but complementary across plans and appropriately balance multiple measures of performance, (iii) incentive metrics and performance targets are selected in the context of our overall business strategy as well as shareholder alignment, (iv) threshold performance and maximum payouts exist for incentive plans and they reflect a reasonable range of performance expectations, (v) the Compensation Committee approves the metrics and payouts for the executive plans and may adjust the payouts downward, (vi) good internal controls exist for calculation of performance metric achievement, (vii) a claw back policy exists should payment be made on inaccurate calculations, and (viii) executive officers are subject to share ownership guidelines.

BOARD COMMITTEES

As mentioned above, we have four standing committees of the 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 the Audit Committee members possess the requisite financial literacy to serve on the committee. The board has determined that all Audit Committee members are financially literate and independent.

At least one member of the Audit Committee must have accounting or related financial management expertise as required by NYSE rules. The 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.

The 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.

The Audit Committee operates under a written charter adopted by the board. The Audit Committee is required to meet no less than four times throughout the year, and in 2017 met on 11 occasions.

The primary functions of the Audit Committee are to oversee:

- the integrity of our financial statements;
- compliance with legal and regulatory requirements;
- KPMG LLC's ("KPMG") qualifications, independence and performance;
- the performance of the internal audit function;
- system of internal controls over financial reporting;
- risk assessment and management policies; and
- significant financial matters.

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Compensation Committee

Our Compensation Committee is comprised of David Windley (Chair), Azita Arvani, William F. Austen, Carol S. Eicher 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.

Our Compensation Committee operates under a written charter adopted by the board. The Compensation Committee is required to meet no less than two times throughout the year. In 2017, the Compensation Committee held four meetings.

The primary functions of the 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. Our overall executive compensation philosophy is guided by our desire to attract, retain, motivate and reward our employees, while ensuring alignment between our compensation plans and our business strategies. By the design of our compensation philosophy, our intent is to align pay-for-performance, accountability and an overall "ownership" mentality. In addition, in conjunction with its outside compensation consultant, the Compensation Committee recommends compensation levels for non-employee directors for approval by the board.

Use of Outside Compensation Consultant

The Compensation Committee engages Pearl Meyer & Partners, LLC ("Pearl Meyer") to advise it on executive officer and non-employee director compensation. Pearl Meyer's services include (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.

Pearl Meyer reports directly to the committee and works collaboratively, as directed by the Chair of the committee, with management. In 2017, the committee concluded that Pearl Meyer was independent with respect to the services it provided because (i) it reported directly to the committee, (ii) the committee could solicit advice and consultation from it without management's direct involvement, and (iii) all of the services provided by it in 2017 were at the request of the committee.

In addition, the Compensation Committee assessed the independence of Pearl Meyer pursuant to Securities and Exchange Commission rules and concluded that no conflict of interest exists that would prevent Pearl Meyer from independently advising the committee.

The Compensation Committee has established a process to limit potential conflicts of interest should management desire to seek advice from Pearl Meyer for non-executive compensation matters. Specifically, the committee determined that if management desires to use Pearl Meyer to provide any advice on non-executive compensation matters, it must contact the committee Chair and inform him or her of such request. 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 committee meeting. No less than annually Pearl Meyer must provide a summary to the committee describing any non-executive compensation services provided to the company or management. No such services were provided in 2017.

Additional information about Pearl Meyer's role 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, Steven A. Sonnenberg and David Windley.

Our Governance Committee operates under a written charter adopted by the board. The Governance Committee does not have a required number of meetings. In 2017, the Governance Committee met on three occasions. The primary purpose of the Governance Committee is to:

- assist the board in identifying individuals qualified to become board members;
- determine the composition of the board and its committees;
- lead the board in its annual performance review and coordinate its self-evaluation process;
- regularly review and, when applicable, recommend to the board changes to the Corporate Governance Principles, Articles of Incorporation, By-Laws and certain board committee charters; and
- assist the board in understanding and complying with new corporate governance laws, regulations and policies affecting us or our business.

Executive Committee

Our Executive Committee is comprised of the independent board members. 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 the board. The Executive Committee is to meet no less than four times throughout the year, and in 2017 met on four occasions at the beginning and/or the end of each regularly scheduled board meeting.

The primary purpose of the Executive Committee is to review such matters and take such actions as are appropriate to be reviewed or taken by the independent directors. Any meeting of the Executive Committee 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. Any meeting of the Executive Committee held following a regularly scheduled board meeting is used to, among other things, assess the quality of the meetings and to collect feedback for Mr. Sonnenberg to present to Mr. Killingstad and management. Such feedback includes any requests for specific information to the oversight and focus on our long-term strategic direction, Mr. Killingstad's annual performance review, setting Mr. Killingstad's compensation, review and approval of our management succession plan, assessment of the risks and opportunities inherent in our strategic decision making, future agenda items, requests for information and other recommendations.

BOARD AND COMMITTEE SELF-EVALUATION PROCESS

The board and its committees generally conduct an annual performance evaluation, as follows: 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 the General Counsel 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. Each committee thereafter provides an evaluation summary to the board. Feedback is then provided to management through Mr. Sonnenberg.

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BOARD AND COMMITTEE MEMBER NOMINATIONS AND APPOINTMENTS

Committee Appointments

The board appoints members of its committees at least annually upon recommendation of the Governance Committee after taking into account the desires, experiences and expertise of individual directors, Mr. Killingstad and the benefits of rotating committee membership.

Director Nomination Process

The Governance Committee is responsible for recommending nominees for election to the board. As required by the Corporate Governance Principles, the Governance Committee is responsible for reviewing with the board, on an annual basis, the requisite skills and characteristics of individual members. The committee must also balance the composition of the board, as a whole, with the needs of the company.

Our Governance Committee reviews all director nominees and recommends to the board those persons whose attributes it believes are most beneficial to the company.

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

Experience	Skills
Diversity	Competence
Integrity	Dedication

The 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 the board takes into consideration when assessing director nominees. In that regard, the board defines "diversity" broadly to include race, gender, national origin, functional experience, geographic representation and personal skills and attributes.

The 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.

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

The size of the board	Other board service
Directors with job changes	Retirement
Director terms	Independence

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

Shareholder Nominations

The 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.

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The committee will evaluate the candidate using the 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 the board, under our Restated Articles of Incorporation, a shareholder of record must submit to the Corporate 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 our annual 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 the Board by writing to Mr. Sonnenberg 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 the General Counsel who will forward communications to Mr. Sonnenberg to address the matter.

COMMITTEE CHARTERS AND OTHER GOVERNANCE DOCUMENTS

All four standing Committee Charters, as well as other governance documents, including the Corporate Governance Principles and Business Ethics Guide, are available on our website at http://www.tennantco.com.

DIRECTOR COMPENSATION FOR 2017

In February 2016, the board approved the following non-employee director compensation, which remained unchanged for the 2017 board year (the period between annual shareholders' meetings) commencing with the 2017 annual shareholders' meeting:

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

Retainers fees are paid in cash or non-employee directors may elect to defer the retainer fees under the Tennant Company Executive Non-Qualified Deferred Compensation Plan. For additional

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information on this plan, see the Non-Qualified Deferred Compensation discussion under "Compensation Discussion and Analysis Other Plans and Agreements Supplemental Retirement Savings Plan (Non-Qualified Deferred Compensation)."

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

This non-employee director compensation package is reviewed periodically by the Compensation Committee and the board using external data derived from Pearl Meyer's review of proxy data as used in the executive compensation determination process.

The board has adopted a stock ownership goal for non-employee directors of five times their annual cash retainer, to be attained within five years from the date of election to the board. Progress toward these ownership grants is measured each year at the time of the February Compensation Committee 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 and unrestricted shares, (iii) restricted stock units, deferred stock units and shares held under benefit plan, and (iv) 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 the 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, 2017:

Name	Fees[1]	Stock Awards[2]	Option Awards[2]	Total
AZITA ARVANI	$ 66,000	$ 49,966	$ 50,018	$ 165,984
WILLIAM F. AUSTEN	$ 76,000	$ 49,966	$ 50,018	$ 175,984
CAROL S. EICHER	$ 71,000	$ 49,966	$ 50,018	$ 170,984
DONAL L. MULLIGAN	$ 85,000	$ 49,966	$ 50,018	$ 184,984
STEVEN A. SONNENBERG	$ 95,000	$ 49,966	$ 50,018	$ 194,984
DAVID S. WICHMANN	$ 76,000	$ 49,966	$ 50,018	$ 175,984
DAVID WINDLEY	$ 78,886	$ 49,966	$ 50,018	$ 178,870
STEPHEN G. SHANK[3]	$ 0	$ 0	$ 0	$ 0

1 Includes annual and mid-year retainer fees as well as pro-rated retainer 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, 2017 for the assumptions used in such valuation. The table below shows the aggregate number of stock awards and option awards held by each person as of December 31, 2017.

3 Stephen G. Shank did not stand for re-election at the 2017 annual meeting. Mr. Shank did not receive any retainer fees, stock awards or option awards for the board year 2017.

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The following table summarizes the aggregate number of stock awards and the aggregate number of outstanding shares for each director as of December 31, 2017.

Name	Outstanding Shares	Outstanding Options
	#	#
AZITA ARVANI	4,712	14,406
WILLIAM F. AUSTEN	11,544	23,532
CAROL S. EICHER	9,263	19,532
DONAL L. MULLIGAN	7,262	20,261
STEVEN A. SONNENBERG	13,457	19,532
DAVID S. WICHMANN	7,754	20,917
DAVID WINDLEY	1,780	7,259

ITEM 1 ELECTION OF DIRECTORS

At the Annual Meeting, three directors are to be elected. If elected, each will serve a three-year term to expire at the time of the Annual Meeting in 2021 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 the Governance Committee.

The board, upon recommendation of the Governance Committee, has designated Azita Arvani, Steven A. Sonnenberg and David S. Wichmann as nominees for election at the Annual Meeting to serve a three-year term expiring in 2021.

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

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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, 2017 and 2016:

Description of Fees	2017 Amount	2016 Amount
Audit Fees[1]	$ 3,313,000	$ 1,235,000
Audit-Related Fees[2]	593,000	
Tax Fees[3]	525,000	350,000
All Other Fees		
Total	$ 4,431,000	$ 1,585,000

1 Audit Fees for 2017 and 2016 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, comfort letter fees in connection with the April 2017 private placement of our outstanding 5.625% Senior Notes due 2025, fees related to the audit associated with the exchange offer of our outstanding 5.625% Senior Notes due 2025, as well as other filings with the Securities and Exchange Commission.

2 Audit-related fees consisted of transaction due diligence support.

3 Tax Fees for 2017 and 2016 consisted primarily of international tax compliance and consulting services. The 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. The Audit Committee has determined that the provision of the above non-audit services did not impact KPMG's independence.

AUDIT COMMITTEE REPORT

The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of KPMG. The Audit Committee and the board believe that the retention of KPMG is in the best interests of the company and its shareholders.

The 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. The 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 the board include our audited consolidated financial statements in our Annual

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Report on Form 10-K for the year ended December 31, 2017 filed with the Securities and Exchange Commission.

Members of 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, 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, 2018.

KPMG is an independent registered public accounting firm. 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 KPMG will be present during the 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.

The Board of Directors, upon recommendation of the Audit Committee, unanimously recommends a vote FOR ratification of KPMG LLP as the company's independent registered public accounting firm.

EXECUTIVE COMPENSATION INFORMATION

COMPENSATION DISCUSSION AND ANALYSIS

The Compensation Committee administers and makes decisions regarding 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;
- David W. Huml, Senior Vice President, EMEA, APAC and Global Marketing; and
- Jeffrey C. Moorefield, Senior Vice President, Global Operations

Overview of 2017 Performance

We are an industry leader focused on growing through innovative products, geographic expansion and serving new markets. 2017 was a year of transformation, achievements and challenges for us. We achieved our goal of reaching $1 billion in sales. We also completed the largest acquisition in our history, which enhanced our product portfolio, significantly expanded our presence in the European market, and further diversified our sales channel. Our new product pipeline continued to yield a robust product offering, and our focus on innovation remained strong. We also took steps to realign our global workforce to support our key strategic growth initiatives and reduce costs, and we made investments to improve our service capabilities and operations. This combination of initiatives is paving the path for Tennant to continue strengthening our financial position and generating enhanced returns for our shareholders through solid revenue growth, expanded profitability, strong cash flow and debt reduction.

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These initiatives improved the company and our overall cost structure, but the timing and execution of the initiatives resulted in a significant negative impact on our operating profit margins. That said, we continued to successfully manage expenses, focusing on cost controls and improving efficiencies, which helped to partially offset the operational issues we faced. However, due to these operational challenges, additional accelerated amortization related to the acquisition of IPC, and an unfavorable mix of foreign earnings which negatively impacted our tax rate, we were unable to deliver on our planned profitability in 2017. Nonetheless, by the end of 2017, we successfully stabilized our service organization and our manufacturing operations, both of which showed positive margin trends in the fourth quarter of 2017, which bodes well for 2018 and beyond.

Notwithstanding the challenges we faced in 2017, we continued to return value to shareholders. The one-year total shareholder return in 2017 was 3.3%, lower than prior years but still reflecting continued value creation for our shareholders. The three-year total shareholder return was 4.6% and the five-year total shareholder return was 76.3%. We continued to pay our quarterly cash dividend, having increased our annual cash dividend for 46 consecutive years.

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, 2012, including the reinvestment of all dividends.

5-YEAR CUMULATIVE TOTAL RETURN COMPARISON

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Compensation Governance

We also believe the following practices and policies promote sound compensation governance and are in the best interests of our shareholders and Named Executives:

What We Do:

- maintain a fully independent Compensation Committee;
- retain an independent compensation consultant;
- annually review risks associated with compensation;
- place a heavy emphasis on performance-based compensation, using a combination of short- and long-term incentives, to ensure a strong connection between our operating performance and actual compensation;
- maintain multi-year vesting requirements for equity compensation awards;
- provide 100% of long-term incentives in the form of equity;
- enforce rigorous stock ownership guidelines; and
- maintain a compensation recoupment (claw back) policy.

What We Don't Do:

- provide gross-up payments to cover personal income taxes or excise taxes for executive or severance benefits;
- no excessive or special perquisites;
- no option backdating or repricing;
- provide grants of reload stock options; or
- no hedging or pledging of Tennant securities by executive officers.

2017 Say-On-Pay

Each year, we carefully consider the results of our shareholder say-on-pay vote from the preceding year. In 2017, approximately 89% of the votes cast supported our executive compensation decisions. Overall, we believe our shareholders are highly supportive of our executive compensation program and its direction. As a result, in 2017 we did not make substantive changes to the structure of our program. We will continue to keep an open dialogue with our shareholders to help ensure that we have a regular pulse on investor perspectives.

WHAT GUIDES OUR PROGRAM

Compensation Objectives

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

We seek to offer 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- and long-term business goals and executive compensation;
- attract and retain high-caliber key executive officers who can create long-term financial success for the 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 the company.

Linking Pay and Performance

A key component of our executive compensation philosophy is the link between compensation and overall business results and shareholder value creation. We strive to clearly communicate this to our shareholders and believe that looking at realizable pay relative to our peers (see "Comparator Group" below) can illustrate this point effectively.

The Compensation Committee works closely with its outside consultant, Pearl Meyer, to evaluate our compensation programs and ensure adherence to our compensation philosophy of realizable pay for performance. During 2017, Pearl Meyer assessed the relationship between total realizable pay (as defined below) and our Total Shareholder Return ("TSR") for the three-year period ended December 31, 2016. 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 looks at the degree of alignment between total compensation delivered to Named Executives during the review period and our performance relative to our peer group. "Total realizable pay" 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, 2016 of any stock options granted over the three-year period;
- the value as of December 31, 2016 of restricted shares granted over the three-year period; and
- the value, as of December 31, 2016 of performance restricted stock units earned for cycles ending in 2014, 2015 and 2016.

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

As illustrated in the chart below, realizable pay for Mr. Killingstad and other Named Executives was generally aligned with relative TSR. Realizable pay for the three-year period for Mr. Killingstad and other Named Executives approximated the 50th percentile. Our TSR over the same period of time approximated the 40th percentile.

Compensation Elements

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

ELEMENT	**TYPE**	**TERMS**
Cash	Base Salary	Fixed pay element that reflects the value of the executive role. Generally eligible for increase annually, depending on market conditions, performance and internal equity.
	Short-Term Incentive	Focuses on achievement of annual goals that are directly linked to execution of the Annual Operating Plan and calibrated to deliver performance-aligned pay.
	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 separately available.

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ELEMENT	**TYPE**	**TERMS**
Long-Term Incentive Compensation (100% Equity)		The LTIP program focuses on 1) direct linkage to stock price performance, 2) key financial drivers of shareholder value, 3) facilitating and encouraging executive retention and stock ownership through the grant of stock options, performance-based restricted stock units, and restricted stock with opportunities calibrated to deliver pay aligned with performance.
	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 upon 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 settled in shares of our 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 our 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 matching contribution and receive a profit sharing contribution based on our 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.

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Total Direct Compensation: Pay Mix