

TENNANT CO  
Form DEF 14A  
March 16, 2015

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)

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(1) Amount Previously Paid:

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Tennant Company  
701 N. Lilac Drive  
Minneapolis, Minnesota 55422

March 16, 2015

Dear Shareholder,

I am pleased to invite you to join me, our Board of Directors and senior management team at the 2015 Annual Meeting of Shareholders of Tennant Company to be held on Wednesday, April 29, at 10:30 a.m. (CDT) at the Golden Valley Country Club in Golden Valley, Minnesota.

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.

While I hope you can join me in Golden Valley, whether or not you plan on attending the meeting in person, 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 seeing you at the meeting.

Sincerely,  
H. Chris Killingstad  
President and Chief Executive Officer

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NOTICE OF  
ANNUAL MEETING OF SHAREHOLDERS

Time and Date: 10:30 a.m. Central Daylight Time  
Wednesday, April 29, 2015

Place: Golden Valley Country Club  
7001 Golden Valley Road  
Golden Valley, Minnesota 55427

Items of Business: (1) Elect three directors to a three-year term;  
(2) Ratify the appointment of KPMG LLP (“KPMG”) as our independent registered public accounting firm for 2015; and  
(3) 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 March 2, 2015.

Proxy Voting: It is important that your shares are voted, whether or not you attend the 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 16, 2015 Heidi M. Wilson, Secretary

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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 our Board of Directors (“Board”), is supplying this Proxy Statement in order to obtain your Proxy vote in connection with the Annual Meeting of Shareholders.

The Annual Meeting will be held at the Golden Valley Country Club, 7001 Golden Valley Road, Golden Valley, Minnesota, on Wednesday, April 29, 2015, 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 16, 2015.

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 in person.

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, 2015. As of March 2, 2015, there were 18,457,795 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](http://www.proxyvote.com) to cast your vote 24 hours a day, 7 days a week, until 11:59 p.m. (EDT) on April 28, 2015. 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 28, 2015. 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. In person at 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, 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 at 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 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.

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

The election of directors and the advisory approval of executive compensation will be considered proposals on which your broker does not have discretionary authority to vote. Thus, if your shares are held in street name and you do not provide instructions as to how your shares are to be voted on these matters, your broker or other nominee will not be able to vote your shares on these matters.

Accordingly, we urge you to provide instructions to your broker or nominee so that your votes may be counted on these matters. You should vote your shares by following the instructions provided on the voting instruction card that you receive from your broker.

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 24, 2015.

Shares held in the Savings Plan may not be voted in person.

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.

How is my Proxy voted?

Shares represented by Proxy will be voted in the following manner:

As specified by the Proxy; or

Where a Proxy is submitted, but no specification is given, shares will be voted as the Board recommends, which is that you vote FOR each of the nominees listed in Item 1 (election of directors), FOR Item 2 (ratification of independent registered public accounting firm) and FOR Item 3 (advisory approval of executive compensation).

Why should I vote?

Your vote is important! It ensures that your ownership interests are represented even if you are unable to attend the Annual Meeting in person. 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 at 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

Attending the Annual Meeting, revoking your Proxy and voting in person. Your attendance at the Annual Meeting 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 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.

How many votes are needed to elect directors?

As established by Minnesota Statute 302A.215, the affirmative vote of a plurality of outstanding shares of common stock present and entitled to vote is required to elect each director nominated. The director nominees with the most votes will be elected. If you (or a broker), either in person or by Proxy, withhold your vote or do not give authority to vote for a director, your shares will not be voted in favor of such director nominee.

How many votes are needed to ratify KPMG as the independent registered public accounting firm for our Company?

The affirmative vote of the holders of a majority of outstanding shares of common stock present and entitled to vote is required to ratify the appointment of KPMG as our independent registered public accounting firm (provided that the number of shares voted in favor of the proposal constitutes more than 25% of the outstanding shares). For this purpose, a shareholder voting through a Proxy who abstains with respect to ratification of KPMG is considered to be present and entitled to vote, and is in effect a negative vote; however, broker non-votes will not be counted as votes on this matter and will have no effect.

How many votes are needed to approve the advisory approval of executive compensation?

The approval on this matter is advisory and not binding on the Company. The Company will consider shareholders to have approved our executive compensation if the number of votes cast FOR this proposal exceed the number of votes cast AGAINST it. For this purpose, a shareholder who abstains with respect to this proposal and any broker non-votes on this proposal will have no effect.

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 AND QUALIFICATIONS

Director Nominees for Terms Expiring in 2018 (Class II Directors):

Azita Arvani was previously elected by our shareholders as a Class III Director with a term expiring in 2016. Our Restated Articles of Incorporation state that directors are elected for staggered three-year terms, with approximately one-third of the directors elected each year. On February 18, 2015, due to an unintended imbalance in the director classes and upon recommendation of the Governance Committee, the Board approved moving Ms. Arvani from Class III to Class II, resulting in Ms. Arvani standing for re-election to the Board one year early.

AZITA ARVANI, 52

Director Since 2012

Head of Innovation Partnering for Nokia Networks (formerly known as Nokia Siemens Networks), a mobile broadband company, since September 2014. 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, 62

Director Since 2005

Executive Vice President, Emerson Electric Company, and President for Emerson Process Management, a worldwide technology and engineering company, since October 2008.

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.

Member of the Compensation, Governance and Executive 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.



DAVID S. WICHMANN, 52

Director Since 2009

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

Held various executive positions with UnitedHealth Group since 1998, including President, Operations and Technology, President, Commercial Market Group, 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 and operations 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 2016 (Class III Directors):

WILLIAM F. AUSTEN, 56

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.

JAMES T. HALE, 74 Director Since 2001

Corporate Governance Consultant since 2004.  
Executive Vice President, General Counsel and Corporate Secretary for Target Corporation from 2000 - 2004. Senior Vice President, General Counsel and Corporate Secretary for Target from 1981 - 2000.  
Held various Vice President positions with General Mills, Inc., from 1979 - 1981.  
Practiced law at Faegre & Benson LLP (predecessor to Faegre Baker Daniels LLP) from 1966 - 1979.  
Chair of the Governance Committee, member of the Compensation and Executive Committees.

Qualifications:

Mr. Hale, a corporate governance expert and the former General Counsel and Executive Vice President of Target Corporation, has significant experience working with public company corporate governance. As part of his past legal experience in private practice and in-house at General Mills, Inc. and Target Corporation, he also acquired significant experience with mergers and acquisitions.

H. CHRIS KILLINGSTAD, 59 Director Since 2005

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 our water-based and other sustainable cleaning technologies business expansion.

Directors Whose Terms Expire in 2017 (Class I Directors):

CAROL S. EICHER, 56

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.

Member of the Audit, Governance 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.

DAVID MATHIESON, 60

Director Since 2006

Vice President of Finance and Chief Financial Officer of Rogers Corporation, a technology leader in innovative solutions for power electronics, advanced foams for cushioning and protective sealing and high frequency printed circuit materials, since May 2014.

Principal of David Mathieson LLC, a company offering management consulting, project management and interim management, from October 2012 to May 2014 and from September 2010 to May 2011.

Executive Vice President and Chief Financial Officer for Comverge, Inc., a clean energy company providing demand management solutions in the form of peaking and base load capacity to electric utilities, grid operators and associated electricity markets, from May 2011 to October 2012.

Senior Vice President and Chief Financial Officer for RSC Holdings, Inc., a provider of equipment rental services, from January 2008 to May 2010.

Vice President and Chief Financial Officer for Brady Corporation, an international manufacturer and marketer of identification solutions and specialty materials, from 2003 - 2007. European Finance Director for Brady Corporation from 2001 - 2003.

Held various executive positions with Honeywell International, Inc., from 1981 - 2001, including Vice President and Chief Financial Officer of Honeywell Europe.

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

Qualifications:

Mr. Mathieson, a Scottish native, has extensive management experience and global financial expertise from his consulting, executive and financial roles with Rogers Corporation, David Mathieson LLC, Comverge, Inc., RSC Holdings, Inc., Brady Corporation, Honeywell, Inc., and other multinational public companies. In addition, he has implemented systematic processes to measure and enhance operational effectiveness, a skill set that has proved invaluable to us as we continue to improve profit margins and make our internal operations more scalable.

DONAL L. MULLIGAN, 54

Director Since 2009

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.

Member of the Audit, Compensation and Executive Committees.

Qualifications:

Mr. Mulligan is the Executive Vice President and Chief Financial Officer for General Mills, Inc. He 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.



STEPHEN G. SHANK, 71

Director Since 2000

Lead Director Since 2009

Retired Chief Executive Officer and Chair of the Board for Capella Education Company, an accredited online university offering undergraduate and graduate degree programs; current member of Board of Directors of Capella.

Chair for Capella from 1993 to February 2010. CEO for Capella from 1993 to March 2009. Chairman and Chief Executive Officer for Tonka Corporation from 1979 - 1991, and General Counsel from 1974 - 1978.

Practiced law at Dorsey & Whitney LLP from 1972 - 1974.

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

Qualifications:

Mr. Shank has a unique background and skills that qualify him not only to be on the Board, but to serve in the role of Lead Director. He was a corporate lawyer with Dorsey & Whitney LLP, a well-recognized Minneapolis law firm, served as General Counsel and then became the CEO of Tonka Corporation, and developed and took public one of the first successful accredited online universities, Capella Education Company. He has retired as CEO and Chair of Capella but continues to serve on Capella's board. He is able to devote considerable attention to our Company matters and brings a visionary yet disciplined approach to our business.

Meeting Attendance

During 2014, our Board met on four 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 directors attended the 2014 Annual Meeting of Shareholders, except Mr. 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, Hale, Mathieson, Mulligan, Shank, Sonnenberg and Wichmann 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 2014, the Board considered the fact that the following non-management 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 \$21,000; (ii) Ms. Eicher's employer, Innocor Inc., in the approximate amount of \$4,900; (iii) Mr. Mulligan's employer, General Mills, Inc., or its affiliates, in the approximate amount of \$223,900; and (iv) Mr. Sonnenberg's employer, Emerson Electric Company, or its affiliates, in the approximate amount of \$578,400; 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-management directors is affiliated with an entity that has a business relationship with us where we purchase goods. The Board also considered that the Company has purchased various machine parts from subsidiaries of Emerson Electric Company, Mr. Sonnenberg's employer, in the approximate amount of \$166,800. Based on the relevant facts and circumstances, 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 2014 were 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-management directors. Currently, the positions of Lead Director and Chair of the Executive Committee are combined.

Our Board initially appointed Stephen Shank, Chair of the Executive Committee, as Lead Director in 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-management 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-management 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

- 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’s Role in Risk Oversight

##### 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 after each regularly scheduled Board meeting 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 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 Board oversight of risk.



#### 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, finance and risk departments. 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, 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 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. This includes a review of the metrics and checks and balances that mitigate risks for inappropriate or fraudulent behavior which could potentially arise in connection with our plans. Such plans are administered within a framework reviewed by our Compensation Committee.

In February 2015, management presented our Compensation Committee with its analysis of the risks associated with our compensation policies, practices and designs and its conclusion that such policies, practices and designs are not reasonably likely to have a material adverse effect on us, and our Compensation Committee discussed this conclusion with management.

#### 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 David Mathieson (Chair), William F. Austen, Carol S. Eicher, Donal L. Mulligan 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. Mathieson, Mulligan and Wichmann, all of whom have extensive experience in financial management, and Messrs. Mulligan and Wichmann being certified public

accountants, 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, 2010. Our Audit Committee is required to meet no less than four times throughout the year and in 2014 met on ten 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 Stephen G. Shank (Chair), Azita Arvani, William F. Austen, James T. Hale, Donal L. Mulligan, Steven A. Sonnenberg 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 2014 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 February 2015, management presented our Compensation Committee with its analysis of the risks associated with our compensation policies, practices and designs and its conclusion that such policies, practices and designs are not reasonably likely to have a material adverse effect on us, and our Compensation Committee discussed this conclusion with management.

In addition, the Committee recommends pay levels for non-management directors including retainers and fees 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 Aon Hewitt (“Hewitt”), the Company’s independent compensation consultant.

#### Use of Outside Compensation Consultants

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

In August of 2014, the Committee retained Hewitt to advise it on 2015 executive officer and non-management director compensation. It selected Hewitt 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's services for 2015 are expected to be substantially similar to what they provided in 2014, namely (i) making recommendations regarding the form and amounts of executive officer and non-management director compensation, (ii) providing market and performance data as a backdrop to the Committee's



decisions regarding executive officer and non-management director compensation, and (iii) advising the Committee as to best practices and recent legal, governance and regulatory considerations regarding executive officer and non-management director compensation. Hewitt has performed services for our Compensation Committee since 2008. Hewitt reports directly to our Compensation Committee and works collaboratively, as directed by the Chair of the Committee, with management. Our Compensation Committee annually evaluates Hewitt's ability to provide independent advice and has concluded that Hewitt was independent with regard to the services it provided to the Committee in 2014 because (i) it reported directly to the Committee, (ii) the Committee could solicit advice and consultation without management's direct involvement and (iii) all of the services performed by Hewitt in 2014 were at the request of the Committee.

In addition, our Compensation Committee assessed Hewitt's independence pursuant to Securities and Exchange Commission rules and concluded that no conflict of interest exists that would prevent Hewitt 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 compensation consultant for non-executive compensation matters. Specifically, the Committee determined that if management desires to use the consultant to provide any advice on non-executive compensation matters, the 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 consultant, 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 2014. Additional information about the role of the compensation consultant is set forth below under "Compensation Discussion and Analysis, Compensation Determination Process."

#### Governance Committee

Our Governance Committee is comprised of James T. Hale (Chair), Azita Arvani, Carol S. Eicher, David Mathieson, Stephen G. Shank and Steven A. Sonnenberg.

Our Governance Committee operates under a written charter adopted by our Board, which was last amended on February 18, 2004. Our Governance Committee does not have a required number of meetings. In 2014, 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 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 Stephen G. Shank (Chair), Azita Arvani, William F. Austen, Carol S. Eicher, James T. Hale, David Mathieson, Donal L. Mulligan, Steven A. Sonnenberg and David S. Wichmann, constituting all of the independent, non-management directors. Mr. Shank, 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 February 18, 2004. Our Executive Committee is to meet no less than four times throughout the year and in 2014 met on four occasions following regularly scheduled Board meetings, 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-management directors of our Board, including 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 for additional 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](http://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 Board and Committee meetings. Each Committee provides an evaluation summary to the full Board in executive session at the December 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 short 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.

#### 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 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 on this page.

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](http://www.tennantco.com)

Click on "Company"

Click on "Investors"

Click on "Governance"

Click on "Governance Documents"

#### Director Compensation for 2014

For the Board Year (the period between annual shareholders' meetings) commencing with the 2014 annual shareholders' meeting, the Board approved non-management director compensation as follows: (i) an annual \$10,000 cash stipend to our Lead Director/Chair of our Executive Committee and Chairs of our Audit and Compensation Committees; (ii) an annual \$5,000 cash stipend to the Chair of our Governance Committee; (iii) an annual retainer of \$40,000; (iv) meeting fees of \$1,500 per Board and Committee meeting; (v) an annual grant of restricted shares with a fair market value of \$45,000 as of the grant date; and (vi) an annual grant of stock options with a fair market value of \$45,000 as of the grant date.

Fees earned 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.”

With the exception of meeting fees, all other compensation paid to our directors who join the Board between annual shareholder meetings is pro-rated for partial years of Board service.

This non-management 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-management 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 value of restricted shares and (iii) the potential gains from vested and unvested 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.

#### Director Compensation for 2015

At its meeting on February 18, 2015, the Board approved changes to the non-management director compensation package for the first time since 2012. The following table outlines the changes that our Compensation Committee recommended and our Board approved for the 2015 Board Year and compares those changes against the Board's current compensation.

The decision to end the practice of paying "per meeting" fees was based on data presented by Hewitt that the trend among the Company's comparator group was to replace such fees with an increased Board retainer and payment of a committee service retainer. The increase in the equity values and the Lead Director retainer were based on an assessment of peer market data presented by Hewitt.

Component of Pay	Current Compensation	2015 Board Year Compensation
Board Retainer	\$40,000 annually, paid in cash Audit: None	\$55,000 annually, paid in cash Audit: \$15,000
Committee Member Retainer	Compensation: None Governance: None Audit: \$10,000	Compensation: \$6,000 Governance: \$5,000 Audit: \$10,000
Additional Committee Chair Retainer	Compensation: \$10,000 Governance: \$5,000	Compensation: \$10,000 Governance: \$5,000
Additional Lead Director Retainer	\$10,000 annually, paid in cash Restricted Stock: \$45,000 Stock Options: \$45,000	\$20,000 annually, paid in cash Restricted Stock: \$50,000 Stock Options: \$50,000
Annual Equity Grant	\$1,500 per Board and Committee meeting (excluding Executive Committee meetings)	No Board or Committee meeting fees

The table below summarizes compensation paid to each person who served as a non-management director during fiscal 2014:

**DIRECTOR COMPENSATION**

Name	Fees Earned or Paid in Cash (\$) <sup>(1)</sup>	Stock Awards (\$) <sup>(2)(3)</sup>	Option Awards (\$) <sup>(2)(3)(4)</sup>	Total (\$)
Azita Arvani	\$50,500	\$45,004	\$49,686	\$145,190
William F. Austen	\$65,500	\$45,004	\$49,686	\$160,190
Carol S. Eicher	\$64,000	\$45,004	\$49,686	\$158,690
James T. Hale	\$61,500	\$45,004	\$49,686	\$156,190
David Mathieson	\$74,000	\$45,004	\$49,686	\$168,690
Donal L. Mulligan	\$64,000	\$45,004	\$49,686	\$158,690
Stephen G. Shank	\$76,500	\$45,004	\$49,686	\$171,190
Steven A. Sonnenberg	\$53,500	\$45,004	\$49,686	\$148,190
David S. Wichmann	\$65,500	\$45,004	\$49,686	\$160,190

(1) Includes annual retainer, meeting fees and fees to committee chairs 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 15 - "Share-Based Compensation" to our financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2014, 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, 2014.

**OUTSTANDING STOCK AND OPTION AWARDS**

Name	Outstanding Shares (#)	Outstanding Options (#)
Azita Arvani	2,346	5,496
William F. Austen	9,178	17,060
Carol S. Eicher	6,897	14,019
James T. Hale	17,125	18,622
David Mathieson	9,609	17,636
Donal L. Mulligan	4,896	11,351
Stephen G. Shank	17,781	18,622
Steven A. Sonnenberg	11,091	20,106
David S. Wichmann	5,388	12,007

(4) Due to a clerical error in the calculation, the number of option awards granted had a grant date fair value \$4,686 higher than the grant value set by the Board. As a result, the 2015 option awards to the directors will be reduced commensurately.



**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 2018 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 Azita Arvani, Steven A. Sonnenberg and David S. Wichmann as nominees for election at the 2015 Annual Meeting to serve a three-year term expiring in 2018.

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, 2014 and 2013:

Description of Fees	2014 Amount	2013 Amount
Audit Fees <sup>(1)</sup>	\$1,060,704	\$1,019,588
Audit-Related Fees	—	—
Tax Fees <sup>(2)</sup>	446,344	490,433
All Other Fees <sup>(3)</sup>	9,574	—
Total	\$1,516,622	\$1,510,031

Audit Fees for 2014 and 2013 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 2014 and 2013 consisted primarily of international tax compliance and consulting services.

(3) All Other Fees for 2014 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's meetings are designed to facilitate and encourage private communication between the Committee and our independent registered public accounting firm, 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, 2014, filed with the Securities and Exchange Commission.

Members of our Audit Committee

David Mathieson (Chair) William F. Austen Carol S. Eicher  
Donal L. Mulligan 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, 2015.

KPMG is an independent registered public accounting firm that has audited our accounts annually since 1954. We have been advised that a representative of the firm will attend 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.

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 H. Chris Killingstad, our President and Chief Executive Officer, Thomas Paulson, our Senior Vice President and Chief Financial Officer, Don B. Westman, our Senior Vice President, Global Operations, Heidi M. Wilson, our Senior Vice President, General Counsel and Secretary, Richard H. Zay, our Senior Vice President, The Americas, and Andrew J. Eckert, our former Senior Vice President, The Americas (the "Named Executives").

## Overview of 2014 Performance

At the beginning of 2014, in addition to our focus on building a scalable business model capable of delivering improved operational efficiency and profitability, we launched a strategy designed to enhance organic growth, with a goal to reach \$1 billion in revenue by 2017.

Our 2014 financial results demonstrate that our strategy for growth is working. We achieved outstanding top line growth and achieved gains in earnings per share, return on invested capital and operating profit. However, these gains were not at a level sufficient to meet our target performance goals and resulted in lower short- and long-term incentive payouts to our Named Executives as more fully described below.

See also our Annual Report on Form 10-K for the year ended December 31, 2014, for more details on our 2014 financial performance.

Performance Measure	2012	2013	2014	Change (2014 vs. 2013)
Incentive Operating Profit in dollars*	\$62,700,000 <sup>(1)</sup>	\$65,400,000 <sup>(2)</sup>	\$72,100,000	10.2% improvement
Net sales	\$739,000,000	\$752,000,000	\$822,000,000	9.3% increase
Incentive Operating Profit as a percentage of net sales*	8.5%	8.7%	8.8%	10 basis point improvement
Adjusted EPS** <sup>(3)</sup>	\$2.08	\$2.26	\$2.70	19.5% improvement
EPS (GAAP)	\$2.18	\$2.14	\$2.70	26.2% improvement
Incentive Return On Invested Capital**	29.4% <sup>(1)</sup>	30.5% <sup>(2)</sup>	33.3%	280 basis point improvement

\*Incentive Operating Profit in dollars ("Incentive OP\$") is GAAP OP as adjusted for certain extraordinary items or unusual or non-recurring events, if any. Incentive Operating Profit as a percentage of net sales ("Incentive OP%") is determined by dividing Incentive OP\$ by our annual net sales.

\*\* Incentive Return On Invested Capital ("Incentive ROIC") and Adjusted Earnings Per Share ("EPS") each exclude adjustments, if any, presented on the supplemental non-GAAP financial table to our earnings releases for the years ended December 31, 2012 and 2013, and/or any non-operational special items disclosed separately on the face of our financial statements.

(1) Excludes a gain on sale of a business and a restructuring charge, which essentially net to zero. The foregoing change made to Incentive OP\$ impacts Incentive ROIC as Incentive OP\$ is the numerator in the Incentive ROIC calculation.

(2) Excludes restructuring charges. The foregoing change made to Incentive OP\$ impacts Incentive ROIC as Incentive OP\$ is the numerator in the Incentive ROIC calculation.

(3) A reconciliation of Adjusted EPS and EPS (GAAP) is included in the supplemental non-GAAP financial tables to our earnings release for the year ended December 31, 2012, as filed with the SEC on a Form 8-K on February 19, 2013, and our earnings release for the year ended December 31, 2013, as filed with the SEC on a Form 8-K on February 25, 2014. There was no difference between Adjusted EPS and EPS (GAAP) for the year ended December 31, 2014.



For 2014, the Committee designed our 2014 Short-Term Incentive Plan (“STIP”) to incent continued focus on increased profitability and expense controls even while the Company sought to grow revenue. For eligible employees, our Incentive OP\$ goal was \$74.5 million (weighted 70%) and our Incentive OP% goal was 9.3% (weighted 30%). Achieving these goals would have entitled our executive officers, whose 2014 STIP target was based 100% on Company performance, to earn 100% of their target payout. For 2014, Incentive OP\$ was \$72.1 million, a 10.2% improvement as compared to Incentive OP\$ in 2013, but below the targeted Incentive OP\$ set by the Committee. Incentive OP% was 8.8%, which represented a 10 basis point year-over-year improvement, but below the targeted Incentive OP% set by the Committee. These results led to a payout of 77.5% of the target bonus levels for five of our Named Executives (whose bonus levels are solely based on the Company's results), and 79.9% of Mr. Eckert's target bonus level (whose bonus level was partially calculated based on the Incentive OP\$ and Incentive OP% achievement for the Americas business unit).

Additional information about the 2014 STIP plan design and specific financial goals, the 2014 STIP payout and calculation and the Americas business unit metrics are discussed in the 2014 Short-Term Incentive section under “Key Compensation Decisions for 2014.”

With respect to the 2014-2016 Long-Term Incentive Plan (“LTIP”), the Committee, similar to prior years' LTIPs, designed the plan to focus on stock appreciation and improvement of ROIC for the 2014-2016 fiscal years through a mix of stock options, performance-based Restricted Stock Units (“RSUs”) and restricted stock. The RSUs involve a variable payout in shares at the end of the three years based on performance against an established Incentive ROIC relative to internal performance metrics. For more details, see the 2014-2016 LTIP section under “Key Compensation Decisions for 2014” and the 2012-2014 LTIP and 2013-2015 LTIP sections under “Other Long-Term Incentive Compensation Vested or Outstanding.”

The structure of our compensation for our Named Executives is intended to reflect the level of achievement against the performance objectives established under our short-term compensation plans and provide incentive for achievement of the long-term goals, consistent with our compensation objectives. From 2012 to 2014, changes in total target direct compensation for our Named Executives generally tracked changes in our Incentive OP\$, Incentive OP%, Incentive ROIC and EPS. Over time, we expect performance and total direct compensation to trend together; however, in any given year there may be some variability.

Total target direct compensation, as included in the tables below, includes base salary, short-term compensation at target performance and long-term compensation at target performance. The table below illustrates the relationship between our performance and executive compensation for all Named Executives except Mr. Eckert who concluded his employment with our Company effective October 17, 2014.

In addition, we have consistently returned significant value to shareholders over the last one, three and five years, yielding strong total shareholder return. We have increased the annual cash dividend payout 43 consecutive years and actively conduct share repurchases, which continued in 2014.

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, 2009, including the reinvestment of all dividends.

#### 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 Compensation") and analyzing other benefits and perquisites for executive officers.

#### Compensation Objectives

Our overall objective is to align executive compensation with the short-term and long-term operating goals of our Company and our shareholders. In this connection, the Committee considered the response of our shareholders to the advisory "say-on-pay" vote received at the annual shareholders meeting. The 2014 advisory resolution on the compensation of our Named Executives was approved by 98.3% of the shares voted. The Committee interpreted this vote as strong support for our compensation philosophy, design and decisions and continued its use of the short-and long-term plan designs from 2013 for 2014.

In addition to aligning with shareholders' interests, 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 are designed to:

- 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.



#### Compensation Determination Process

The Committee typically meets three to four times a year to consider various aspects of executive officer and non-management director compensation. Among other things, it decides how to allocate each executive's Total Compensation and determines the target level of Total Compensation for each executive. The Committee seeks to set Total 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 Compensation. The Committee considers both internal and external data, including information from our human resources department and our CEO regarding (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. In 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. The Committee receives external reference data, primarily in the form of competitive market data, from its outside compensation consultant. Since 2008, the Committee has used Hewitt to provide such external market information. See discussion regarding "Use of Outside Compensation Consultants" under the "Compensation Committee" description. For 2014, the Committee reviewed competitive market data drawn from the proxy data of the respective comparator group identified below, the survey data from the Hewitt Total Compensation Measurement™ database ("Survey Data") and Hewitt's analysis of the collected data.

In connection with the processes outlined above, our Senior Vice President, Global Human Resources, provides input on the job scope of each executive officer, including her own, and facilitates the gathering of the market data used by Hewitt. However, Hewitt conducts the analysis, reviews the information in advance with the Chair of the Committee and makes compensation recommendations to the Committee. Our Senior Vice President, Global Human Resources, is not present at the Committee meeting when the compensation of the executive officers is discussed and plays no role in determining her own compensation.

#### Comparator Group

The comparator group used for benchmarking Total Compensation for our Named Executives and for our non-management director compensation is comprised of companies that (i) have annual revenues approximately in line with ours, (ii) have a global presence, (iii) are in the same general industry as us, and (iv) are contained in Hewitt's proprietary survey database, thereby giving the Committee access to detailed compensation and plan design information. The Committee believes that this selection process to determine a relevant comparator group is appropriate and reflects best practice. The Committee generally reviews the comparator group annually and makes changes where necessary to assure that the comparator group continues to meet the above criteria.

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 setting the 2014 comparator group for benchmarking Total Compensation they decided to (i) remove Kaydon Corporation as it was acquired by SKF Group, (ii) remove Mueller Water Products, Inc., Trimas Corporation and Zep, Inc. as they had moved outside the Company's revenue range, (iii) remove Robbins & Myers, Inc. as it was acquired by National Oilwell Varco Inc., and (iv) remove Sauer-Danfoss, Inc. as it was acquired by Danfoss A/S.

As a result, the 15 companies that made up our 2014 comparator group at the time the Committee established 2014 executive and non-management director compensation were:

Actuant Corporation	Graco Inc.
Chart Industries, Inc.	H.B. Fuller Company
Circor International, Inc.	Nordson Corporation
Clarcor Inc.	Omnova Solutions, Inc.
Columbus McKinnon Corporation	The Middleby Corporation
Esco Technologies, Inc.	The Toro Company
Federal Signal Corporation	Tredegar Corporation
Flow International Corporation	

The chart below represents our position relative to the 2014 comparator group on three dimensions. In August 2014, 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 (i) remove Federal Signal Corporation because their product lines are so dissimilar from ours; (ii) remove OMNOVA Solutions, Inc. because its financial and capital structure is dissimilar from ours; (iii) remove Flow International Corporation because it is no longer a public company, having been acquired by a private equity firm; and (iv) add Altra Industrial Motion Corporation, Barnes Group Inc., Briggs & Stratton Corporation, Gorman-Rupp Company, Hardinge Inc., Minerals Technologies Inc., Standex International Corporation and Watts Water Technologies, Inc. because their respective global revenues and financial and capital structures are similar to ours. Therefore, the comparator group used for benchmarking 2015 Total Compensation for our Named Executives and for our non-management director compensation is:

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

#### Factors Considered in Setting Compensation Levels

Based on the Committee's review of the internal and external information, it placed our Named Executives into four tiers for Total Compensation. The most highly paid Named Executive was our President and CEO due to his key role in setting the strategic direction of our Company, driving our Company's overall performance and managing our Europe, Middle East and Africa business unit. The next most highly paid Named Executive was our Senior Vice President and CFO due in part to the breadth of his responsibilities which include the typical accounting and finance functions, but also information technologies, business development, investor relations and managing our Asia Pacific business unit. The Senior Vice President, Global Operations, and former Senior Vice President, The Americas, comprised the third tier, and our current Senior Vice President, The Americas (previously the Senior Vice President, Global Marketing), and Senior Vice President, General Counsel and Secretary, were in the fourth tier for Total Compensation. The Committee considered these tiers when it set the 2014 short-term and long-term targets for our Named Executives.

Our compensation strategy is to target compensation levels within a competitive range of our comparator group at approximately the 50<sup>th</sup> percentile in cash compensation (base salary plus short-term incentive) and the 75<sup>th</sup> percentile for long-term incentive, therefore resulting in a Total Compensation level targeted between the 50<sup>th</sup> and 75<sup>th</sup> 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.

In addition, as part of the process in setting Total 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 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 2014 target Total Compensation mix for our CEO individually and the average of the remaining four Named Executives.

#### Target Pay 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
	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.
Cash	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. Restricted Stock generally vests three years from the grant date.
	Restricted Stock (represents 20% of total annual award)	Dividends are accumulated on Restricted Stock during the vesting period and paid in cash only on vesting.
	Performance-Based Restricted Stock Units (RSUs) (represents 40% of total annual award)	The performance period for PRSUs is three years. Payment is variable based on achievement of targets. PRSUs are paid in shares of Tennant common stock on settlement.
Long-Term Incentive Compensation (100% Equity)	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.
	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.
	Deferred Stock Units ("DSUs") (for those who elect to defer a portion or all of their STIP or LTIP awards)	For 2010 STIP deferrals, deferred portion was converted into deferred stock units at fair market value on the date of conversion of 120% of the amount deferred which pay out in stock three years following the year the award was earned. This election was discontinued beginning with the 2011 STIP. For LTIP equity deferrals, funds are converted into deferred stock units at fair market value as of the date of conversion and pay out in stock. This election was discontinued beginning with the 2011-2013 LTIP.
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	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.

under the Tennant  
Non-Qualified  
Deferred  
Compensation Plan)

## Key Compensation Decisions for 2014

## Base Salary

For 2014, consistent with the historical level of pay increases allocated to the overall employee population, the Committee approved 3% raises for our then Named Executives effective April 1, 2014. In connection with Mr. Zay's promotion to Senior Vice President, The Americas, and the additional responsibilities associated therewith, effective July 21, 2014, he received a 3% increase to his base salary. For 2015, the Committee again approved 3% raises for our Named Executives, other than Mr. Eckert, effective April 1, 2015, consistent with overall employee pay increases.

## Special One-Time Equity Grant

From time to time, as recommended by the Committee, the Board of Directors approves special one-time grants of equity as a hiring incentive or for performance recognition. In 2014, Mr. Zay received a one-time grant of 1,000 RSUs in connection with his promotion described above. Such RSUs will vest on July 29, 2017. No other discretionary awards were granted to Named Executives in 2014.

## 2014 Short-Term Incentive

Our 2014 STIP used Incentive OP\$ (weighted 70%) and Incentive OP% (weighted 30%) to evaluate our Company's annual financial performance. Incentive OP\$ is determined by measuring net sales minus operating expenses, which includes the cost of sales, research & development expenses and selling & administration expenses, and excludes certain extraordinary items, if any. Incentive OP% is determined by dividing Incentive OP\$ by our annual net sales. The Committee has authority to interpret the plan and adjust the metrics and take other actions in its sole discretion to assure that the plan operates consistently with the Committee's goals, so long as its actions do not cause awards under the plan to fail to qualify as performance-based compensation. The plan was designed such that when calculating the relative achievement of the metrics on an annual basis, unfavorable items (items which would have a negative impact on a performance metric) are automatically excluded and favorable items (items which would have a positive impact on a performance metric) are automatically included. The Committee may then exercise discretion to allow or disallow each such adjustment, which discretion may be applied at any time during the performance period or following the end of the performance period when the Committee is determining the level of achievement of the performance metrics for purposes of the relevant STIP.

Generally, the STIP target payout for our executive officers is based 100% on the financial performance of our Company as a whole; however, for our former Senior Vice President, The Americas, 70% of the 2014 target bonus was tied to financial results of our Company as a whole and 30% of the 2014 target bonus was tied to the financial results of the Americas, with Incentive OP\$ (weighted 70%) and Incentive OP% (weighted 30%). Mr. Zay's 2014 target bonus remained 100% based on the performance of our Company as a whole because he assumed the role of Senior Vice President, The Americas, well after the 2014 strategic and operating plans had been set for that business unit. 2014 STIP targets as a percentage of base salary are shown in the table below.

NAME	TARGET PAYOUT AS A % OF BASE SALARY
President and CEO	115%
Senior Vice President and CFO	60%
Senior Vice President, Global Operations	50%
Senior Vice President, General Counsel and Secretary	45%
Senior Vice President, The Americas*	50%
Former Senior Vice President, The Americas	50%

\*The target payout as a % of base salary for Mr. Zay was changed from 45% to 50% effective July 21, 2014 in connection with a change in position and the payout was prorated accordingly.

The 2014 Company Incentive OP\$ goal was \$74.5 million, a 13.9% increase over the 2013 actual Incentive OP\$ result, and the Company Incentive OP% goal was 9.3%, a 60 basis point increase over the 2013 actual Incentive OP% result. 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 consistent year over year and on par with the corporate target levels, but considering the specific circumstances facing the Americas business unit in any given year. Our Named Executives would have earned 100% of their target bonus if our Company met these goals due to the aggressive growth rate level set as target. The maximum payout under our 2014 STIP is 300% of target and no Named Executive may receive a payout in excess of \$2 million.

For 2014, Incentive OP\$ was \$72.1 million, a 10.2% improvement as compared to Incentive OP\$ in 2013, but below the targeted Incentive OP\$ set by the Committee. Incentive OP% was 8.8%, which represented a 10 basis point year-over-year improvement, but below the targeted Incentive OP% set by the Committee. These results led to a payout of 77.5% of the target bonus levels for five of our Named Executives (whose bonus levels are solely based on the Company's results), and 79.9% of the former Senior Vice President, The Americas, target bonus level (whose bonus level was partially calculated based on the Incentive OP\$ and Incentive OP% achievement for the Americas business unit).

#### 2014-2016 LTIP

In February 2014, the Committee approved the 2014-2016 LTIP for executive officers with the following structure: (i) 40% non-qualified stock options, (ii) 40% PRSUs using Incentive ROIC as the metric, and (iii) 20% restricted shares. The PRSUs involve a variable payout in shares at the end of the three years based on performance against an established Incentive ROIC relative to internal performance metrics. Incentive ROIC is defined as: Incentive Operating Profit / (Total Assets - Cash - Short-Term Investments) - (Total Liabilities - Debt) and is adjusted for certain types of extraordinary items defined at the beginning of the performance period.

The target 2014 LTIP awards continued to be set as a percentage of our Named Executives' base salary at approximately the 75<sup>th</sup> percentile of market levels (additional information is set forth above under "Factors Considered in Setting Compensation Levels") and are shown in the table below.

NAME	TARGET PAYOUT AS A % OF BASE SALARY
President and CEO	275%
Senior Vice President and CFO	125%
Senior Vice President, Global Operations	110%
Senior Vice President, General Counsel and Secretary	100%
Senior Vice President, The Americas	100%
Former Senior Vice President, The Americas	110%

The number of stock options granted to each Named Executive was calculated as follows: our Named Executives' total target LTIP opportunity in dollars, multiplied by 40% (the allocation of the 2014 LTIP to options), divided by the Black Scholes valuation, which was made pursuant to our equity award approval policy. This calculation resulted in 27,767 non-qualified stock options being granted to our CEO and an average of 5,357 non-qualified stock options to the other Named Executives.

The number of PRSUs and restricted shares granted to each of our Named Executives was calculated by multiplying our Named Executives' total target LTIP opportunity in dollars by the percentage of the 2014 LTIP award allocated to PRSUs or restricted shares (40% and 20%, respectively) and dividing that by \$60.67 (the fair market value of our stock at the time of grant). PRSUs granted under the 2014 LTIP were 12,096 for our CEO and an average of 2,334 for all other Named Executives. Restricted shares granted were 6,048 for our CEO and an average of 1,167 to the other Named Executives.





For specific grants to our Named Executives, see the Summary Compensation Table and the table relating to Grants of Plan-Based Awards in 2014. 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 Vested or Outstanding

##### 2012-2014 LTIP

The 2012-2014 LTIP for executive officers, which was established in February 2012, had the following structure:

(i) 40% non-qualified stock options, (ii) 40% PRSUs, and (iii) 20% restricted shares. The PRSUs were designed to incent long-term operational performance.

A Named Executive's target payout under the 2012-2014 LTIP was set as the same percentage of their base salary as is set forth in the chart above.

The PRSUs were to be paid in shares at the end of the three years if the performance target was achieved. The performance target used for the 2012-2014 PRSUs was an Incentive ROIC metric relative to internal and peer group performance metrics. The peer group for each of the three years covered by the plan is the comparator group in effect at the time the Committee established the plan (the "Peer Group"). Our Named Executives were eligible to receive 0-200% of their PRSU target.

To obtain a threshold payment under the PRSU portion of the 2012 LTIP (or 50% payment), the Company's three-year average Incentive ROIC from 2012-2014 needed to be 27.4%. In order to receive the target payout (or 100% payment) for the PRSU portion of the 2012 LTIP, the Company's three-year average Incentive ROIC of 33.0% needed to be achieved. For a payout beyond 100%, the internal target Incentive ROIC needed to be achieved and the Company's three-year average Incentive ROIC performance needed to meet or exceed the 60<sup>th</sup> percentile of the Peer Group. The Named Executives were eligible to receive up to 200% of their target PRSU award, which would be paid if the Company's three-year average Incentive ROIC performance met or exceeded the 8<sup>th</sup> percentile of the Peer Group. For the 2012 LTIP, on February 17, 2015, the Committee determined that the Incentive ROIC metric relative to internal performance was achieved with a three-year average Incentive ROIC of 31.0% and qualified for a payout of 82% of the Named Executives' PRSUs. Because the performance results did not result in a payout of at least 100%, there was no need to review the Peer Group data. For details regarding the PRSUs paid in 2014, see "Executive Compensation Information - Option Exercises and Stock Vested in 2014" in this Proxy Statement.

##### 2013-2015 LTIP

For the 2013-2015 LTIP, the Committee approved the same structure described above under the 2012-2014 LTIP except for the Peer Group comparison. The Committee removed the Incentive ROIC Peer Group comparative element from the PRSUs in order to simplify the plan design. The Committee determined that a peer comparison may not be the most relevant performance factor given the Company's Incentive ROIC ranking is in the top tier of its peers. The payout of the PRSUs will continue to incent Incentive ROIC improvement, but will be based solely on a three-year average Incentive ROIC compared to internal goals set by the Committee. The Committee will consider the Company's performance relative to our comparator group in setting the internal targets. The PRSUs will be paid in shares at the end of the three years if the performance target is achieved as described in connection with the 2012-2014 LTIP.

The target 2013 LTIP awards were set as a percentage of our Named Executives' base salary, with the same percentages as described above under the 2014-2016 LTIP. The process for calculating Incentive ROIC is the same as described above under the 2014-2016 LTIP.

#### 2015 Compensation Plans

##### 2015 STIP

For 2015, the Committee approved the same structure as the 2014 STIP, except that awards are capped at 200% instead of 300%. In addition, adjustments were made to the target payout as a percentage of base salary

for certain Named Executives in order to remain within the competitive target compensation range of our comparator group.

#### 2015-2017 LTIP

For the 2015-2017 LTIP, the Committee approved the same basic structure as the 2014-2016 LTIP, but changed the metrics for the PRSUs. Rather than basing the variable payout of the PRSUs solely using Incentive ROIC as the metric, the Committee revised the plan design to require that a minimum three-year average Incentive ROIC threshold be met in order to be eligible for a payout of the PRSUs. Incentive ROIC will be determined the same way it was determined for the 2014-2016 LTIP. If the Incentive ROIC threshold is achieved, a three-year average revenue target will be used to determine the variable payout in shares at the end of the three years. The revenue target was selected to align with our strategic sales growth goals. As with the 2015 STIP, adjustments were made to the 2015 - 2017 LTIP target payout as a percentage of base salary for certain Named Executives in order to remain within the competitive target compensation range of our comparator group.

#### Other Plans, Agreements and Special Payments

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

#### Retirement 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 and a Company matching contribution of up to 3% of eligible compensation up to \$260,000. In addition, the plan allows profit sharing contributions by us 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 2014, the Incentive OP\$ goal was \$74.5 million and our Company achieved \$72.1 million, which, under the terms of the plan, resulted in a profit sharing contribution equal to 2.75% of eligible compensation up to \$260,000.

#### Non-Qualified Deferred Compensation

In addition to tax-qualified retirement benefits provided under the plan described above, 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 to highly compensated employees 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 salary and certain incentive payments and non-management directors to defer their annual retainers and meeting fees.

Effective January 1, 2009, the Company amended and restated this plan to comply with the final regulations issued under Internal Revenue Code §409A. Amounts deferred and vested under this plan prior to January 1, 2005 (the effective date of §409A) are subject to the terms of this plan as in effect prior to January 1, 2005, and are not subject to the terms of this plan, as restated effective January 1, 2005, or January 1, 2009. Such amounts are “grandfathered” under §409A and are therefore not subject to §409A. The plan is unfunded, meaning our obligation to make payments under the plan is unsecured. Specifically, this plan permits the following:

#### Executive Officer and Non-Management Director Deferred Compensation

Executive officers may elect to defer two elements of their Total 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-management directors may elect to defer all or a portion of their annual retainer and committee meeting fees.

They may elect to defer 0%, 50% or 100% of their annual retainer and 0% or 100% of their meeting fees.

The interest rate earned on deferrals in 2014 was 3.87%.

#### Defined Contribution Features

Certain management and executive employees 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 employees 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 Feature

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.

The plan came into existence on January 1, 2003, when we merged the Tennant Company Excess Benefit Plan into the Tennant Company Deferred Compensation Plan. The Plan was amended on June 15, 2004, to add the non-management directors' deferral component. By Committee action, the Plan was subsequently amended on December 18, 2006, and again on December 17, 2008, to account for changes to the Internal Revenue Code §409A, which governs non-qualified deferral plans, and to allow deferral of payments upon settlement of DSUs in the form of stock units, and again on January 1, 2009, to comply with final §409A regulations. As a result of these regulatory changes, the Plan accommodates different benefit commencement dates depending on when amounts were deferred or contributed and which account within the Plan was selected by the employee. 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

In February 2010, our Board added a recoupment policy to our cash incentive plan and our equity award agreements, 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

In February 2010, our Board amended our insider trading policy with respect to access persons to prohibit speculative trading or hedging of positions in Tennant securities, including writing or trading in options, warrants or any other derivatives of Tennant securities, or 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

In December 2007, we adopted an equity award approval policy to ensure that all equity awards are approved pursuant to proper authority, following 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-management 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 last in 2004. The current 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 one 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, shares held under our benefit plans and potential gains from vested and unvested 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 2014 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

Stephen G. Shank (Chair)      Azita Arvani      William F. Austen      James T. Hale  
Donal L. Mulligan      Steven A. Sonnenberg      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, the three other most highly compensated executive officers for 2014 and an individual for whom disclosure would have been provided but for the fact that he was not serving as an executive officer at the end of 2014. The individuals set forth in this table comprise the list of Named Executives.

Name and Principal Position		Salary	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value and Non-qualified Deferred Compensation Earnings	All Other Compensation	Total
	Year	(\$)	(\$) <sup>(2)</sup>	(\$) <sup>(3)</sup>	(\$) <sup>(4)</sup>	(\$)	(\$) <sup>(5)</sup>	(\$)
H. Chris Killingstad	2014	684,896	1,100,796	733,829	607,921	—	95,677	3,223,119
	2013	664,577	1,066,264	710,646	380,610	—	86,828	2,908,925
President and Chief Executive Officer	2012	643,114	1,035,222	689,740	479,596	—	99,458	2,947,130
Thomas Paulson	2014	387,523	283,147	188,723	179,463	—	46,536	1,085,392
	2013	376,027	274,232	182,768	112,359	—	44,714	990,100
Senior Vice President and Chief Financial Officer	2012	363,883	266,239	177,395	141,580	—	48,704	997,801
Don B. Westman	2014	359,594	231,153	154,102	138,773	—	37,690	921,312
	2013	348,925	223,910	149,250	86,884	—	41,582	850,551
Senior Vice President, Global Operations	2012	337,657	217,427	144,845	109,480	—	38,975	848,384
Heidi M. Wilson	2014	301,684	176,367	117,552	104,783	—	33,150	733,536
Senior Vice President, General Counsel and Secretary								