TENNANT CO
Form DEF 14A
March 29, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

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

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

o	Preliminary Proxy Statement
o	**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
x	Definitive Proxy Statement
o	Definitive Additional Materials
o	Soliciting Material under §240.14a-12

TENNANT COMPANY

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x	No fee required.	
o	Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.	
	(1)	Title of each class of securities to which transaction applies:
	(2)	Aggregate number of securities to which transaction applies:
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	(4)	Proposed maximum aggregate value of transaction:
	(5)	Total fee paid:
o	Fee paid previously with preliminary materials.	
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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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Tennant Company

701 North Lilac Drive

Minneapolis, Minnesota 55422

March 29, 2019

Dear Shareholder,

Tennant Company s 2019 Annual Meeting of Shareholders will be held on Wednesday, May 8, 2019, at 10:30 a.m. Central Time. This year s Annual Meeting will be a completely virtual meeting of shareholders. You may attend the meeting and vote your shares electronically during the meeting via the Internet by visiting www.virtualshareholdermeeting.com/TNC2019.

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

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

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

Sincerely,

Mary E. Talbott
General Counsel and Corporate Secretary

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Time and Date:	Wednesday, May 8, 2019, at 10:30 a.m. Central Time
How to Attend:	The meeting will be completely virtual. You may attend the online meeting and vote your shares electronically during the meeting via the Internet by visiting www.virtualshareholdermeeting.com/TNC2019. To enter the Annual Meeting you will need the 16-digit control number that is printed in the box marked by the arrow on your Notice Regarding the Availability of Proxy Materials. We recommend that you log in at least 15 minutes before the meeting to ensure that you are logged in when the meeting starts.
Items of Business:	(1) Elect three Class III directors for three-year terms and one Class I director for a one-year term, such that the total number of directors is nine;
	(2) Ratify the appointment of KPMG LLP as our independent registered public accounting firm for 2019; 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 11, 2019.
Proxy Voting:	It is important that your shares are voted, whether or not you join the virtual meeting. You are encouraged to vote your shares, as instructed in the Notice of Internet Availability of Proxy Materials, as soon as possible. You may also follow the instructions on the Notice of Internet Availability of Proxy Materials to vote by telephone or request a paper proxy card, which will include a reply envelope, to submit your vote by mail. Your prompt response will help reduce solicitation costs incurred by us.

Mary E. Talbott, General Counsel and Corporate Secretary
March 29, 2019

IMPORTANT NOTICE REGARDING AVAILABILITY OF PROXY MATERIALS
FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 8, 2019:
The Notice of Annual Meeting of Shareholders, 2019 Proxy Statement and 2018 Annual Report are available at www.proxyvote.com.

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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, or the company), on behalf of its Board of Directors, is providing this Proxy Statement in order to obtain your vote in connection with its 2019 Annual Meeting of Shareholders (Annual Meeting).

The completely virtual Annual Meeting will be held on Wednesday, May 8, 2019, at 10:30 a.m. Central Time at www.virtualshareholdermeeting.com/TNC2019.

The Notice of Internet Availability of Proxy Materials is being first mailed to shareholders on or about March 29, 2019.

HOW DO I ACCESS THE PROXY MATERIALS?

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

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

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

WHAT IS A PROXY?

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

WHO IS ENTITLED TO VOTE?

You may vote if you owned shares of our common stock as of the close of business on March 11, 2019. As of March 11, 2019, there were 18,154,166 shares of common stock outstanding, each entitled to one vote.

HOW DO I VOTE?

You may vote in one of four ways:

1. *By Internet*

You may access the website at www.proxyvote.com to cast your vote 24 hours a day, 7 days a week, until 11:59 p.m. Eastern Time on May 7, 2019. 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.

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2. *By Phone*

Request a proxy card from us by following the instructions on your Notice of Internet Availability of Proxy Materials. You may then call 1-800-690-6903 by using any touch-tone phone, 24 hours a day, 7 days a week, until 11:59 p.m. (Eastern Time) on May 7, 2019. Have your proxy card in hand when calling. You will need to provide the last four digits of your social security number to verify your identity. Follow the voice prompts to cast your vote.

3. *By Mail*

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

4. *Online during the Annual Meeting*

All shareholders may vote online during the Annual Meeting through the link www.virtualshareholdermeeting.com/TNC2019. The 16-digit control number provided on your Notice of Internet Availability of Proxy Materials or proxy card is necessary to access this site. See below for instructions on voting if your shares are held through a third party.

WHAT HAPPENS IF MY SHARES ARE HELD IN AN ACCOUNT AT A BROKERAGE FIRM, BANK, BROKER-DEALER OR SIMILAR ORGANIZATION?

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

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

WHAT HAPPENS IF MY SHARES ARE HELD IN THE TENNANT COMPANY RETIREMENT SAVINGS PLAN?

If your shares are held in the Tennant Company Retirement Savings Plan (Savings Plan), your vote will be communicated to the Trustee who will vote all shares held in the Savings Plan in proportion to votes cast by all participants who submit voting instructions. Your proxy includes any shares you hold in the Savings Plan. To be effective, your voting instructions must be received by the Trustee by May 3, 2019. Shares held in the Savings Plan may not be voted online during the Annual Meeting.

CAN THE TRUSTEE VOTE MY SHARES ON MY BEHALF WITHOUT RECEIVING VOTING INSTRUCTIONS FROM ME?

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

WHY SHOULD I VOTE?

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

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MAY I REVOKE MY PROXY OR CHANGE MY VOTE?

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

- Sending a signed, written notice of revocation, dated later than the proxy, to the attention of our Corporate Secretary at the address listed on page 4 of this Proxy Statement;
- Sending a signed proxy, dated later than the prior proxy, to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717;
- Voting again by telephone or on the Internet prior to the Annual Meeting; or
- Joining the online Annual Meeting and voting online during the meeting.

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

HOW MANY VOTES ARE NEEDED TO HOLD THE ANNUAL MEETING?

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

WHAT IS A BROKER NON-VOTE?

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

HOW MANY VOTES ARE NEEDED TO APPROVE EACH OF THE PROPOSALS AND HOW ARE VOTES COUNTED?

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

	Vote Required	Voting Options	Board Recommendation(1)	Broker Discretionary Voting Allowed(2)	Impact of Abstention
Item 1: Elect three Class III directors to three-year terms and one Class I director to a one-year term, such that the total number of directors is nine	Majority of votes cast (the votes cast FOR the nominee exceed the votes cast AGAINST the nominee)(3)	FOR AGAINST ABSTAIN	FOR	No	None
Item 2: Ratify the appointment of KPMG LLP as the company s independent registered public accounting firm for 2019	Majority of shares present or represented by proxy at the meeting and entitled to vote(4)	FOR AGAINST ABSTAIN	FOR	Yes	AGAINST
Item 3: Advisory approval of executive compensation	We will consider shareholders to have approved the advisory vote on our executive compensation if the votes cast FOR exceed the votes cast AGAINST	FOR AGAINST ABSTAIN	FOR	No	None

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

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(2) If broker discretionary voting is not allowed, your broker will not be able to vote your shares on these matters. A broker non-vote will have no effect on the matter.

(3) To address a provision in Minnesota law that allows a director who has not been re-elected to remain in office until a successor is elected and qualified, we have a policy requiring any director who does not receive a greater number of votes FOR than AGAINST his or her election in an uncontested election to tender his or her resignation from the Board. Under this policy, the Board, upon recommendation of our Governance Committee, will determine whether to accept or reject the offer to resign and disclose its decision and rationale within 90 days after the date of the election. The text of this policy appears in our Corporate Governance Principles, which is available on our website.

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

WHO WILL PAY THE COST OF THIS PROXY SOLICITATION?

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

WHY IS THE ANNUAL MEETING VIRTUAL AND CAN I SUBMIT QUESTIONS?

Hosting a virtual Annual Meeting provides expanded access, improved communication and cost savings for our shareholders and us and enables shareholder participation from any location around the world. Shareholders may submit questions during the Annual Meeting at www.virtualshareholdermeeting.com/TNC2019, and management will respond to questions in the same way as it would if the company held an in-person meeting. If you have questions, you may type them in the dialog box provided at any point during the meeting until the floor is closed to questions.

WHAT ADDRESS SHOULD I USE FOR CORRESPONDENCE WITH THE COMPANY?

The address for our principal executive office is 701 North Lilac Drive, P.O. Box 1452, Minneapolis, Minnesota, 55440-1452.

BOARD OF DIRECTORS

INFORMATION, QUALIFICATIONS, EXPERIENCE AND TENURE

Directors with terms expiring at the Annual Meeting are Class III directors William F. Austen, H. Chris Killingstad and David Windley and Class I director Maria C. Green.

Director Nominees for Terms Expiring in 2022 (Class III Directors):

WILLIAM F. AUSTEN, 60 **Director Since 2007**

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

Mr. Austen brings a broad strategic perspective as the top leader at Bemis Company where he serves as President and Chief Executive Officer. He is a talented leader in global manufacturing and operations with experience in global mergers, acquisitions and business integration. This experience is relevant to our business, including our international operations and growth initiatives.

H. CHRIS KILLINGSTAD, 63 **Director Since 2005**

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

Mr. Killingstad, our President and Chief Executive Officer, through his work with General Electric, PepsiCo Inc. and The Pillsbury Company, as well as with the company, has led global expansion and turnaround efforts and has developed expertise in the areas of product innovation, brand marketing and building strong leadership teams.

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DAVID WINDLEY, 55 **Director Since 2016**

- President for IQTalent Partners, a professional services firm focused on talent acquisition, since September 2014.
- Executive Vice President, Chief Human Resources Officer, for Fusion-io, Inc., a computer hardware and software systems company, from October 2013 to August 2014.
- Executive Vice President, Chief Human Resources Officer, for Yahoo! Inc. from December 2006 to September 2012.
- General Manager, Human Resources, for Microsoft Corporation from December 2003 to December 2006.
- Vice President Human Resources, Business Units, for Intuit Inc. from December 2001 to December 2003.
- Held various positions with Silicon Graphics, Inc. from 1991 to 2001, culminating in Vice President, Human Resources.
- Chair of the Compensation Committee and member of the Governance and Executive Committees.
- Member of the Board of Directors of DHI Group, Inc.

Mr. Windley has extensive global human resources management, succession planning and executive compensation expertise from his executive roles with IQTalent Partners, Fusion-io, Inc., Yahoo! Inc. and Microsoft Corporation. His experience with leading technologies will be particularly valuable as we expand how we use digital technology in our products and our go-to-market initiatives.

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Director Nominee for Term Expiring in 2020 (Class I Director):

MARIA C. GREEN, 66 **Director Since 2019**

- Senior Vice President and General Counsel of Ingersoll Rand plc, a world leader in creating comfortable, sustainable and efficient environments, since October 2015.
- Senior Vice President, General Counsel and Secretary of Illinois Tool Works Inc., a global manufacturer of value-added consumables and specialty equipment, from 2012 to October 2015; Vice President, General Counsel and Secretary from 2011 to 2012; Deputy General Counsel and Assistant Secretary from 2008 to 2011; Associate General Counsel and Assistant Secretary from 1997 to 2008.
- Vice President Real Estate Development of Chicago Transit Authority from 1996 to September 1997.
- General Counsel and Director of Commercial Development of National Railroad Passenger Corporation (Amtrak) from 1994 to 1996.
- Associate General Counsel Corporate Affairs of Amtrak from 1989 to 1994.
- Senior Associate, Hazel, Thomas Fiske, Beckhorn & Hanes, P.C. from 1987 to 1989.
- Associate, Akin, Gump, Strauss, Hauer & Feld from 1986 to 1987.
- Attorney, Continental Illinois National Bank & Trust Co. from 1981 to 1985.
- Member of the Governance and Executive Committees.

Ms. Green was selected by the Board because of her extensive experience in public company corporate governance, global legal and compliance and international matters. Ms. Green also brings extensive public company experience in the areas of acquisitions, enterprise risk management, environmental health, safety and sustainability and shareholder activism. This experience will be particularly valuable as we focus on successful global business integrations, achievement of acquisition-related synergies and maximizing shareholder value.

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

CAROL S. EICHER, 60 **Director Since 2008**

- Non-executive board chairman of Innocor, Inc. (a Bain Capital portfolio company), a designer and manufacturer of advanced foam products, from August 2017 to April 2018.
- Chief Executive Officer of Innocor, Inc., from May 2014 to July 2017.
- Business President for Coating Materials and Building and Construction for The Dow Chemical Company from September 2012 to July 2013; Business Group Vice President for Building and Construction for Dow Chemical from August 2010 to August 2012; Business Director, Performance Monomers, for Dow Chemical from April 2009 to July 2010.
- Vice President/Global Business Director, Primary Materials and Process Chemicals, Rohm and Haas Company, a developer of solutions for the specialty materials industry acquired by Dow Chemical in 2009, from 2003 to July 2010; General Manager, Americas & Europe, Electronics, Organic Specialties, for Rohm and Haas from 2001 to 2003; Business Director, Organic Specialties for Rohm and Haas from 2000 to 2001.
- Held various senior management positions with Ashland Chemical Company, a division of Ashland, Inc., from 1992 to 2000.
- Held various management positions with E.I. DuPont de Nemours and Company, Inc. from 1979 to 1992.
- Chair of the Governance Committee, member of the Compensation and Executive Committees.
- Member of the Board of Directors of A. Schulman, Inc.

Ms. Eicher brings a wealth of global manufacturing, operations and merger and acquisition experience from her senior leadership positions at Innocor Inc., The Dow Chemical Company, Rohm and Haas Company, Ashland Chemical Company and E.I. DuPont de Nemours and Company, Inc. In these positions she has led expansion efforts in developing countries and can provide insights as to the issues we may face as we expand our presence in Brazil, China and other developing countries.

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DONAL L. MULLIGAN, 58 **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 to 2007, including Vice President Financial Operations for the International division; Vice President Financial Operations for Operations and Technology; and Vice President and Treasurer.

- Served as Chief Financial Officer, International, for The Pillsbury Company from 1999 to 2001.

- Held various international positions with PepsiCo Inc. and YUM! Brands, Inc., including Regional CFO, Americas; Finance Director, Asia; and Finance Director, Canada, from 1987 to 1998.

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

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

Directors Whose Terms Expire in 2021 (Class II Directors):

AZITA ARVANI, 56 **Director Since 2012**

- Head of Innovation Partner & Venture Management for Nokia, a global communications, information technology and consumer electronics company, from March 2017 to March 2019; Head of Global Innovation Scouting from January 2016 to February 2017.

- Head of Innovation Partnering & Ecosystem Ventures for Nokia Networks from July 2015 to December 2015; Head of Innovation Partnering from September 2014 to July 2015.

- Head of Partnering and Alliances for Nokia Solutions and Networks from September 2012 to August 2014.

- Head of Innovation Strategy for Nokia Siemens from September 2011 to August 2012.

- Principal and Founder of Arvani Group Inc., a boutique business consulting firm specializing in the mobile and wireless industry, from 2002 to 2011.

- Vice President, Business Development and Strategy, for ActiveSky, a provider of an online mobile multimedia application development and distribution platform, from 2000 to 2001.
- Held various senior technical and business positions, including Director, Corporate Business Strategy for Xerox Corporation, a business process and document management company, from 1996 to 2000.
- Member of the Compensation, Governance and Executive Committees.

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

STEVEN A. SONNENBERG, 66 **Director Since 2005**
Lead Director Since 2016

- Senior Advisor, Emerson Automation Solutions, a business unit of Emerson Electric Company, a worldwide technology and engineering company, since January 2018.
- Chairman, Emerson Automation Solutions from May 2016 to December 2017.
- Executive Vice President, Emerson Electric Company, and President for Emerson Process Management from 2008 to April 2016.
- President for Rosemount, Inc., a business unit of Emerson Electric Company, from 2002 to October 2008. Held various positions with Rosemount and Emerson, including General Manager for Rosemount China and President for Emerson Process Management Asia Pacific, from 1992 to 2002.
- Member of the Board of Directors and Governance Committee of Steel Dynamics, Inc.
- Lead Director, Chair of the Executive Committee, member of the Audit and Governance Committees.

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

DAVID S. WICHMANN, 56 **Director Since 2009**

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

- Held various executive positions with UnitedHealth Group since 1998, including President for UnitedHealth Group Incorporated from November 2014 to August 2017, Chief Financial Officer for UnitedHealth Group Incorporated from January 2011 to June 2016; President, Operations and Technology, UnitedHealth Group; President, Commercial Market Group, UnitedHealthcare; President and Chief Operating Officer, UnitedHealthcare; President and Chief Executive Officer, Specialized Care Services, Optum; and Senior Vice President, Corporate Development, UnitedHealth Group.

- Partner, Arthur Andersen, from 1995 to 1998.
- Chief Financial Officer for Advance Machine Company from 1992 to 1994.
- Member of the Audit, Compensation and Executive Committees.

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Mr. Wichmann was selected by the Board for his global financial operations, merger and acquisitions and business integration expertise. In addition to being a seasoned senior executive with UnitedHealth Group, Mr. Wichmann has experience across multiple businesses through his early consulting practice with Arthur Andersen and as Chief Financial Officer of a company in our industry. Mr. Wichmann s understanding of business processes, finance, accounting and internal controls adds further discipline to our growth initiatives.

MEETING ATTENDANCE

During 2018, the Board met on eight occasions. During 2018, all directors attended at least 91% of the meetings of the Board and any Board committees of which they were members in 2018. As set forth in the Corporate Governance Principles, all members of the Board are encouraged to attend the annual meetings of shareholders. All then serving directors attended the 2018 Annual Meeting of Shareholders.

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

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

The Board considered the fact that the following non-employee directors are affiliated with entities that during 2018 purchased goods and/or product maintenance services from us or from whom we purchased goods and/or services, all in the ordinary course of business, as follows:

Director	Affiliated Entity and Relationship	Transactions	Amount Involved as % of Affiliated Entity s Annual Revenues
William F. Austen	Bemis Company, Inc. President, Chief Executive Officer and Director	We sell goods and/or product maintenance services to Bemis	Less than 1%
Maria C. Green	Ingersoll Rand, plc Senior Vice President, General Counsel and Secretary	We sell goods and/or product maintenance services to Ingersoll	Less than 1%
Donal L. Mulligan	General Mills, Inc. Executive Vice President and Chief Financial Officer	We sell goods and/or product maintenance services to General Mills	Less than 1%

David S. Wichmann	UnitedHealth Group Incorporated Chief Executive Officer and Director	We purchase services from UnitedHealth Group	Less than 1%

Based on the relevant facts and circumstances, Messrs. Austen, Mulligan and Wichmann and Ms. Green do not have a material interest in these ordinary course of business transactions. The Board was provided with this information and concluded that none of the relationships interfere with the independence of these directors or present a conflict of interest.

BOARD LEADERSHIP STRUCTURE

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.

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Our President and Chief Executive Officer (CEO), Mr. Killingstad, is a member of the Board. However, he does not serve as Chair of the Board. Mr. Killingstad works closely with the Lead Director, Mr. Sonnenberg, to set and approve the agenda of Board meetings, to ensure that there is an appropriate flow of information to and from the Board, and to ensure that management properly and adequately addresses matters of interest to the Board.

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

The Lead Director is appointed for a one-year term and may serve successive terms, but the Board retains the right to remove or replace the Lead Director in its discretion. The Board originally appointed Mr. Sonnenberg Chair of the Executive Committee and Lead Director in August 2016 and has continued to elect him annually. The Board s criterion for Lead Director is that he or she must be an independent director appointed by the Board and elected by a majority of the Board.

The role of the Lead Director is to provide independent leadership to the Board, act as a liaison between the independent directors and the company and ensure that the Board operates independently of management. The principal responsibilities assigned to the Lead Director include:

- facilitating the meeting of the Board in the absence of the CEO;
- organizing and presiding over all executive sessions of the Board and serving as Chair of the Executive Committee;
- serving as liaison between the independent directors and the CEO;
- in concert with the CEO and other directors, creating the agendas for Board meetings, including approval of schedules to assure sufficient time for discussion of all agenda items, with final approval of agendas from the Lead Director;
- in concert with the 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;

- in concert with the Governance Committee, managing and facilitating the Board governance process;

- in concert with the Governance Committee, managing the Board evaluation process;

- leading the CEO evaluation and Board peer review processes;

- providing guidance on director orientation and committee assignments;

- leading the Board in crisis and transitional periods; and

- coordinating and leading all other general Board activities otherwise not covered by one of the Board committees and carrying out other duties as requested by the Board.

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

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BOARD OVERSIGHT OF STRATEGY AND RISK

General

Our Board takes an active role in risk oversight of the company both as a full Board and through its committees. The agendas for the 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 typically meets in executive session at the beginning and at the end of each regularly scheduled meeting. The executive sessions are used to assist the Board in carrying out its duties, including risk oversight. We believe that the process followed by the independent directors and led by our Lead Director provides an appropriate level of risk oversight by the Board.

Annual Risk Assessment Process

We conduct an annual enterprise-wide risk assessment. A formal report is delivered to the Audit Committee and to the Board each December. Risk assessment updates are provided at each regularly scheduled quarterly Audit Committee meeting and more frequently if requested by a committee, our Board or recommended by management.

The objectives for the risk assessment process include (i) facilitating the NYSE governance requirement that the Audit Committee discuss policies around risk assessment and risk management, (ii) developing and addressing a defined list of key risks to be shared with the Audit Committee, Board and management, (iii) reviewing management s risk mitigation efforts, (iv) determining whether there are risks that require additional or higher priority mitigation efforts, (v) facilitating discussion of the risk factors to be included in Item 1A of our Annual Report on Form 10-K, and (vi) guiding the development of the next year s audit plans.

The risk assessment process is conducted by our outsourced internal auditor and through members of an internal risk committee consisting of senior level staff from the legal and finance departments and from the global business functions. Together they (i) review our enterprise risk assessment process, (ii) conduct a detailed enterprise risk assessment, including a survey of key department and functional leaders from all geographies, (iii) communicate the results of the risk assessment, (iv) evaluate management s past mitigation efforts, (v) assess management s preparedness to address the identified risks and (vi) assign a member of management to each risk identified to develop risk mitigation activities. The process links the risk areas with our strategies, objectives and entity-level controls where senior management and global employees participate in risk identification and ranking and assessment of management preparedness to address identified risks. The risk profiles and current and future mitigating actions are discussed and refined during subsequent discussions with senior management. Any identified risks are prioritized based on the potential exposure to the business and measured as a function of severity of impact and likelihood of occurrence, after taking into account management s preparedness.

Non-Ordinary Course Expenditure Policy

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

Compensation Risk Review

In advance of the annual Compensation Committee review and discussion of enterprise risk associated with our executive and non-executive employee compensation programs, plans and policies (for purposes of this discussion, plans), we follow a multi-step process for the internal assessment and a final review by our management committee consisting of our chief administration officer, chief financial officer and senior legal counsel to ensure any risks that are reasonably likely to have a material adverse effect on the company are identified and controlled for or mitigated appropriately. Pearl Meyer & Partners, LLC, the company s independent compensation consultant (Pearl Meyer), is consulted throughout the risk assessment process. The scope of the review and assessment includes all executive compensation programs and global incentive programs.

In December 2018, management presented the Compensation Committee with an analysis of our compensation plans and a review of the key areas of potential risks. Management s assessment was that the risks arising from our compensation plans do not encourage excessive risk-taking that would likely have a material effect on the company s financial condition. The Compensation Committee discussed this conclusion with management and reviewed the level of enterprise risk associated with our executive and non-executive employee compensation plans. To assess whether the plans encourage unnecessary or excessive risk taking, the Compensation Committee considered the plan design, strategy and philosophy for cash and equity incentive plans, how the incentives are likely to impact employee behavior, the appropriateness of the plan metrics and what checks and balances exist to mitigate risks for inappropriate or fraudulent behavior.

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

The plans of IPC Group, the European-based group of companies we acquired at the beginning of 2017 (IPC), will be included in our 2019 compensation risk assessment.

BOARD COMMITTEES

As mentioned above, we have four standing committees of the Board: Audit, Compensation, Governance and Executive. Membership on these committees is limited to independent directors. Each committee operates under a written charter and evaluates its charter annually.

Audit Committee

Our Audit Committee is comprised of Donal L. Mulligan (Chair), William F. Austen, Steven A. Sonnenberg and David S. Wichmann. Our Board uses the listing standards of the NYSE to determine whether the Audit Committee members possess the requisite financial literacy to serve on the committee. The Board has determined that all Audit Committee members are financially literate and independent.

At least one member of the Audit Committee must have accounting or related financial management expertise as required by NYSE rules. The Audit Committee endeavors to have at all times a member who qualifies as an audit committee financial expert as defined by the Securities and Exchange Commission. The Board has determined that Messrs. Mulligan and Wichmann, each with extensive experience in financial management, and Mr. Wichmann being a certified public accountant, satisfy the requirements of an audit committee financial expert, and that their expertise has been acquired through training and relevant experience.

The Audit Committee is required to meet no less than four times throughout the year and in 2018 met on 11 occasions.

The primary functions of the Audit Committee are to oversee:

- the integrity of our financial statements;
- compliance with legal and regulatory requirements;
- the independent registered public accounting firm s qualifications, independence and performance;
- the performance of the internal audit function;
- the performance of the system of internal controls over financial reporting;
- the ethics compliance program;

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- risk assessment and risk management policies; and
- significant financial matters.

Compensation Committee

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

The Compensation Committee is required to meet no less than four times throughout the year. In 2018, the Compensation Committee held four meetings.

A primary function of the Compensation Committee is to assist the company in maximizing shareholder value by ensuring that executive officers are compensated in accordance with our philosophy, objectives and policies. The Compensation Committee s duties include, among other things, approving executive compensation policies and strategies; evaluating executive officers compensation levels and payouts against performance goals; approving and administering compensation plans; overseeing certain compensation disclosures in the proxy statement; and overseeing risks associated with our compensation policies and practices. In addition, in conjunction with its outside compensation consultant, the Compensation Committee recommends compensation levels for non-employee directors for approval by the Board.

Use of Outside Compensation Consultant

Our Compensation Committee engages Pearl Meyer to advise it on executive officer and non-employee director compensation. Pearl Meyer s services include (i) making recommendations regarding the form and amounts of executive officer and non-employee director compensation, (ii) providing market and performance data as a backdrop to the committee s decisions regarding executive officer and non-employee director compensation, and (iii) advising the committee as to best practices and recent legal, governance and regulatory considerations regarding executive officer and non-employee director compensation.

Pearl Meyer reports directly to the Compensation Committee and works collaboratively, as directed by the Chair of the committee, with management. In 2018, the committee concluded that Pearl Meyer was independent with respect to the services it provided because (i) it reported directly to the committee, (ii) the committee could solicit advice and consultation from it without management s direct involvement, and (iii) all of the services provided by it in 2018 were at the request of the committee. In addition, the Compensation Committee assessed the independence of Pearl Meyer pursuant to Securities and Exchange Commission rules and concluded that no conflict of interest exists that would prevent Pearl Meyer from independently advising the committee.

The Compensation Committee has established a process to limit potential conflicts of interest should management desire to seek advice from Pearl Meyer for non-executive compensation matters. Specifically, the committee determined that if management desires to use Pearl Meyer to provide any advice on non-executive compensation matters, it must contact the committee Chair and inform him or her of such request. The committee delegated to the Chair the authority to make a decision as to whether the service is appropriate. The Chair is required to inform the committee of any such request or approval granted no later than at the next scheduled committee meeting. No less than annually Pearl Meyer must provide a summary to the committee describing any non-executive compensation services provided to the company or management. No such services were provided in 2018.

Additional information about Pearl Meyer s role is set forth below under Compensation Discussion and Analysis, Compensation Determination Process.

Governance Committee

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

The Governance Committee is required to meet at least two times throughout the year. In 2018, the Governance Committee met on three occasions. The primary purpose of the Governance Committee is to:

- assist the Board in identifying individuals qualified to become Board members;
- determine the composition of the Board and its committees;
- develop and maintain criteria and procedures for the identification and recruitment of candidates for election to serve as directors;
- lead the Board in its annual performance review and coordinate its self-evaluation process;
- regularly review and, when applicable, recommend to the Board changes to the Corporate Governance Principles, Business Ethics Guide, Articles of Incorporation and By-Laws of the company and certain Board committee charters; and
- assist the Board in understanding and complying with new corporate governance laws, regulations and policies affecting us or our business.

Executive Committee

Our Executive Committee is comprised of the independent Board members. Mr. Sonnenberg, as Chair of the Executive Committee and Lead Director, presides at the Executive Committee meetings.

The Executive Committee is to meet no less than four times throughout the year, and in 2018 met on eight occasions at either the beginning or the end of each Board meeting.

The primary purpose of the Executive Committee is to review such matters and take such actions as are appropriate to be reviewed or taken by the independent directors, including, among other things, overseeing the annual CEO evaluation process, reviewing and approving our management succession plan, and overseeing our long-term strategic direction. Any meeting of the Executive Committee held at the beginning of a regularly scheduled Board meeting generally is used to discuss the Board s priorities and focus on the agenda topics for that meeting. Any meeting of the Executive Committee held following a regularly scheduled Board meeting is generally used to, among other things, assess the quality of the meetings and to collect feedback for the Lead Director to present to the CEO and management. Such feedback includes any requests for specific information relating to our long-term strategic direction, the annual CEO performance review, the compensation of our CEO, our management succession plan, the risks and opportunities inherent in our strategic decision making, future agenda items, and other materials.

BOARD AND COMMITTEE SELF-EVALUATION PROCESS

The Board and its committees generally conduct an annual performance evaluation as follows: annually in October, Board members complete a detailed questionnaire which asks for quantitative ratings and subjective comments in key areas covering Board and committee matters. Responses are collected by the General Counsel and a compilation of all the responses is provided to the Governance Committee. In addition, management prepares a response memorandum to the Chair of the Governance Committee. Upon review by the Governance Committee, the compilation of responses and management s response memorandum are provided to the Board and each committee for review and discussion. Each committee thereafter provides an evaluation summary to the Board. Feedback is then provided to management through the Lead Director.

In addition, Board members periodically conduct an evaluation of their peer directors. Feedback is provided directly to the Lead Director, who then communicates to the individual directors the information gathered from this process. This peer review process was last completed in early 2019.

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BOARD AND COMMITTEE MEMBER NOMINATIONS AND APPOINTMENTS

Committee Appointments

Our Board appoints members of its committees at least annually upon recommendation of the Governance Committee after taking into account the desires, experiences and expertise of individual directors, 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 the Board. As required by the Corporate Governance Principles, the Governance Committee is responsible for reviewing with the Board, on an annual basis, the requisite skills and characteristics of individual members. The committee must also balance the composition of the Board, as a whole, with the needs of the company.

Our Governance Committee reviews all director nominees and recommends to the Board those persons whose attributes it believes are most beneficial to the company. The committee s assessment of each director nominee takes into consideration the needs of the Board, the ability to effectively represent the shareholders and stakeholders generally, as well as the following attributes:

- Experience
- Expertise
- Integrity
- Competence
- Diversity
- Skills (including interpersonal)
- Dedication

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

The Board looks for candidates who have public company experience, have a history of demonstrating strong and ethical leadership, are sufficiently senior and adept at understanding and evaluating strategic, financial, operational and global risks, and have the expertise to create a well-rounded Board. The Governance Committee also considers the Corporate Governance Principles, which include the following factors when considering director nominees:

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

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

Ms. Green joined the Board as a Class I director on March 15, 2019. The Governance Committee led the process for selecting Ms. Green and recommending her to the Board. Based upon the composition and qualifications of the current Board members, the Governance Committee focused on candidates with strong experience in public company corporate governance, global legal and compliance and international matters. The Governance Committee retained an independent search firm to assist with the director search and make recommendations regarding candidates who satisfied the Board s criteria. Ms. Green was first identified by the independent search firm.

Shareholder Nominations

The Governance Committee will consider director candidates recommended by shareholders. Shareholder recommendations must be accompanied by a sufficiently detailed description of the candidate s background and qualifications. The committee will evaluate the candidate using the aforementioned criteria. To recommend a qualified candidate, shareholders should write to the Chair of the Governance Committee at the address listed below.

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

COMMUNICATION WITH THE BOARD OF DIRECTORS

All interested parties, including shareholders, may communicate with the independent members of the Board by writing to 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 the 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 the Corporate Governance Principles and Business Ethics Guide, are available on our website at http://www.tennantco.com. To access these documents click on Investors at the bottom of our home page, then Governance and then Governance Documents. Our report on our sustainability initiatives can also be found by clicking on Sustainability at the bottom of our home page.

DIRECTOR COMPENSATION

Our non-employee director compensation program is designed to be competitive and to align the interests of our non-employee directors with the long-term interests of our shareholders. Our director compensation program is reviewed annually by the Compensation Committee using external data derived from our outside compensation consultant s review of proxy data used in the executive compensation determination process. The amount of compensation for non-employee directors has remained unchanged since the 2015 Board year. We define Board year for director compensation purposes as the time between annual shareholder meetings. In August 2017, the Compensation Committee, with the advice of its independent compensation consultant, undertook a review of our equity compensation program for non-employee directors as compared to our comparator group described in the Compensation Discussion and Analysis section. Following this review and to be consistent with market practice, the Compensation Committee recommended, and the Board approved, that beginning in April 2018 the annual equity award to non-employee directors would be in the form of restricted stock units rather than 50% in shares of restricted stock and 50% in stock options. The aggregate grant date fair value of the annual equity award remained unchanged at $100,000. Additional information regarding the restricted stock units is provided below.

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Director Compensation for 2018

The non-employee director compensation for the 2018 Board year was as follows:

Component of Pay	Board Year Compensation
Annual Board Retainer	$55,000
Annual Committee Member Retainer	Audit: $15,000 Compensation: $6,000 Governance: $5,000
Annual Additional Committee Chair Retainer	Audit: $10,000 Compensation: $10,000 Governance: $5,000
Annual Lead Director Retainer	$20,000
Annual Equity Grant	$100,000 aggregate grant date fair value of restricted stock units

Retainer fees are paid in cash or non-employee directors may elect to defer the retainer fees under the Tennant Company Executive Non-Qualified Deferred Compensation Plan. For additional information on this plan, see the Non-Qualified Deferred Compensation discussion under Compensation Discussion and Analysis Other Plans and Agreements Supplemental Retirement Savings Plan (Non-Qualified Deferred Compensation). All compensation paid to directors who join the Board between annual shareholder meetings is pro-rated for partial years of service.

Non-employee directors receive annual grants of restricted stock units under the 2017 Stock Incentive Plan having an aggregate fair value of $100,000, subject to rounding adjustments described below. The number of restricted stock units granted is determined by dividing $100,000 by the closing price of our common stock on the grant date, rounded to the nearest share. The restricted stock units vest one year from the date of grant and convert into an equal number of shares of our common stock. A director may defer receipt of the shares until his or her service as a director ends or until a pre-established date set forth in the irrevocable deferral election form applicable to the award. We pay dividend equivalents on all outstanding restricted stock units. Dividend equivalents are accrued at the same rate that dividends are paid to our shareholders, are subject to the same vesting conditions as the underlying units and are paid in cash at the same time as the underlying units are settled.

The table below summarizes compensation paid to each person who served as a non-employee director during fiscal 2018. Ms. Green joined the Board on March 15, 2019.

Name	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)(2)	Total ($)
Azita Arvani	66,000	99,987	165,987
William F. Austen	76,000	99,987	175,987

Carol S. Eicher	71,000	99,987	170,987
Donal L. Mulligan	85,000	99,987	184,987
Steven A. Sonnenberg	95,000	99,987	194,987
David S. Wichmann	76,000	99,987	175,987
David Windley	76,000	99,987	175,987

(1) Includes retainer fees earned, whether paid in cash or deferred.

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(2) The valuation of stock awards is calculated using the aggregate grant date fair value, computed in accordance with FASB ASC Topic 718. See Footnote 19 Share-Based Compensation to our financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2018 for the assumptions used in such valuation. The following table summarizes the aggregate number of restricted shares, restricted stock units and options held by each non-employee director as of December 31, 2018.

Name	Restricted Shares (#)(a)	Restricted Stock Units (#)	Stock Options (#)(b)
Azita Arvani	4,712	1,353	14,406
William F. Austen	11,544	1,353	21,532
Carol S. Eicher	9,263	1,353	19,532
Donal L. Mulligan	7,262	1,353	20,261
Steven A. Sonnenberg	13,457	1,353	19,532
David S. Wichmann	7,754	1,353	20,917
David Windley	1,780	1,353	7,259

(a) Reflects restricted shares granted to non-employee directors prior to the 2018 Board year which vest upon the director s termination of service on the Board.

(b) Reflects stock options granted to non-employee directors prior to the 2018 Board year which vest pro rata over a three-year period beginning on the first anniversary of the date of grant.

Stock Ownership Goal for Non-Employee Directors

The Board has adopted a stock ownership goal for non-employee directors of five times their annual cash retainer, to be attained within five years from the date of election to the Board. Progress toward the ownership goal is measured each year at the time of the February Compensation Committee meeting. Ownership levels are calculated by adding (i) the value of the shares held directly by the director, (ii) the estimated after-tax value of restricted and unrestricted shares, and (iii) the potential gains from vested options, as of the close of market on December 31 of the year immediately preceding the year of calculation. Directors who have served on the Board for five years or more have achieved their goals. Newer Board members are on pace for achieving their ownership targets within the five-year period.

Director Compensation for 2019

In December 2018, consistent with its annual review of non-employee director pay, the Compensation Committee requested that its independent compensation consultant review the competitiveness of the current pay program to determine whether changes should be considered for 2019. Pearl Meyer analyzed the market competitiveness of our non-employee director pay program, including all role-based retainers and fees, and reviewed each element of the pay program against our comparator group and, as a secondary reference point, against all industry survey data. Based on this analysis and the compensation consultant s recommendations, in February 2019 the Compensation Committee and the Board approved the following changes to the non-employee director pay package for the 2019 Board year:

- Increase the annual cash retainer from $55,000 to $65,000
- Increase the annual Lead Director retainer from $20,000 to $60,000
- Increase the annual equity award from $100,000 to $110,000

The increase in the annual Lead Director retainer was also based on our Lead Director s more expansive duties in comparison to the lead directors in the comparator group.

ITEM 1 ELECTION OF DIRECTORS

Our Restated Articles of Incorporation provide that the Board will be divided into three classes of directors of as nearly equal size as possible, and the term of each class of directors is three years. Currently, we have nine directors with three directors serving in each class. At the Annual Meeting, three Class III directors are to be elected for three-year terms and one Class I director is to be elected to a one-year term. If elected, each will serve until their terms expire at the time of the Annual Meeting in 2022 and in 2020, as applicable, 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 to vote in favor of the remaining named nominees and to vote for a substitute nominee selected by the Governance Committee.

The Board, upon recommendation of the Governance Committee, has designated (i) William F. Austen, H. Chris Killingstad and David Windley as nominees for election as Class III directors at the Annual Meeting to serve three-year terms expiring in 2022, and (ii) Maria C. Green as a nominee for election as a Class I director at the Annual Meeting to serve a one-year term expiring in 2020. All nominees currently serve on our Board and were elected by shareholders at our 2018 Annual Meeting, except for Maria C. Green who joined our Board on March 15, 2019.

The Board of Directors, upon recommendation of the Governance Committee, unanimously 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, 2018 and 2017:

Description of Fees		2018 Amount		2017 Amount
Audit Fees(1)	$	2,666,000	$	3,313,000
Audit-Related Fees(2)				593,000
Tax Fees(3)		541,000		525,000
All Other Fees				
Total	$	3,207,000	$	4,431,000

(1) Audit Fees for 2018 and 2017 include professional services rendered in connection with the audit of our consolidated financial statements, including quarterly reviews, statutory audits of certain of our international subsidiaries and the audit of internal controls over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002, comfort letter fees in connection with the April 2017 private placement of our outstanding 5.625% Senior Notes due 2025, fees related to the audit associated with the exchange offer of our outstanding 5.625% Senior Notes due 2025, as well as other filings with the Securities and Exchange Commission.

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

(3) Tax Fees for 2018 and 2017 consisted primarily of international tax compliance and consulting services. The Audit Committee has adopted a Pre-Approval Policy for Non-Audit Services, which appears on our website as an exhibit to the Audit Committee charter. All audit-related, tax and other non-audit services were performed in compliance with the Pre-Approval Policy. The Audit Committee has determined that the provision of the above non-audit services did not impact KPMG s independence.

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AUDIT COMMITTEE REPORT

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

The Audit Committee s meetings are designed to facilitate and encourage private communication between the committee and KPMG. In addition, the committee complied with its charter responsibilities and reviewed and discussed the audited consolidated financial statements with management. The Audit Committee discussed with KPMG the matters required to be discussed by the applicable Public Company Accounting Oversight Board standards. KPMG also provided to the committee the written disclosures required by applicable requirements of the Public Company Accounting Oversight Board regarding independence, and the committee discussed with KPMG the firm s independence.

Based upon the committee s discussion with management and KPMG and the committee s review of audited consolidated financial statements and the report of KPMG to the committee, the committee recommended that the Board include our audited consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2018 filed with the Securities and Exchange Commission.

Members of Audit Committee

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

ITEM 2 RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

At the Annual Meeting, shareholders will vote on the proposal to ratify the appointment of KPMG as our independent registered public accounting firm for the year ending December 31, 2019.

KPMG is an independent registered public accounting firm. The Audit Committee is responsible for the appointment, compensation and oversight of KPMG and believes that the retention of KPMG is in the best interests of the company and its shareholders.

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

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

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EXECUTIVE COMPENSATION INFORMATION

COMPENSATION DISCUSSION AND ANALYSIS

This compensation discussion and analysis (CD&A) explains our executive compensation program and describes the process followed by the Compensation Committee for making pay and benefit decisions, as well as its rationale for specific decisions made in 2018. The following discussion should be read in conjunction with the Summary Compensation Table and related tables and footnote disclosure setting forth the compensation of the following current and former executive officers (referred to as the Named Executives):

- H. Chris Killingstad, President and Chief Executive Officer
- Keith A. Woodward, Senior Vice President, Chief Financial Officer
- Richard H. Zay, Senior Vice President, The Americas and Research and Development
- David W. Huml, Senior Vice President, EMEA, APAC, Global Marketing and Operations
- Carol E. McKnight, Senior Vice President, Chief Administrative Officer
- Thomas Paulson, Former Senior Vice President, Chief Financial Officer
- Jeffrey C. Moorefield, Former Senior Vice President, Global Operations

Mr. Woodward was appointed Senior Vice President, Chief Financial Officer, effective December 1, 2018, succeeding Mr. Paulson, who announced his intention to retire in July 2018. Mr. Paulson remained employed with the company in a non-executive role through January 24, 2019 to facilitate a smooth transition. Mr. Moorefield ceased to be employed in the position of Senior Vice President, Global Operations effective June 30, 2018, and his employment continued in a non-executive role until December 31, 2018. Mr. Huml was given responsibility for global operations effective June 30, 2018.

Executive Summary

Overview of 2018 Performance

We are a global industry leader focused on growing through innovative products, geographic expansion and serving new markets. We successfully executed key elements of our 2018 strategy to enhance our product portfolio, take advantage of our significantly expanded presence in the European market and diversify our sales channel. As a result, we saw significant revenue growth in 2018, experiencing organic revenue growth in all of our geographic regions. During 2018, the Americas region grew 7.5%, the EMEA region grew 1.3%, and the APAC region grew 3.2%, for a total organic revenue growth of 5.5%. Strong growth in our strategic account channel, particularly in North America, and broad-based growth in Latin America were significant drivers of this growth. Additionally, IPC continued to deliver in line with the planned amounts. We moved forward with key IPC integration actions in 2018 and are on track to deliver the planned acquisition-related synergies.

We did experience some challenges during the year with respect to gross margins. The reduction in gross margins from 2017 to 2018 was primarily due to external market dynamics which were not unique to the company, including our inability to timely procure labor and materials needed for our production, unplanned tariff costs, and higher freight charges. Additionally, the unfavorable product mix resulting from robust strategic account sales in 2018 had a detrimental impact on margins. Despite challenging external factors, we did see improvements in factors we could control. For instance, we experienced manufacturing performance improvement and achieved customer price increases, both of which helped to partially offset these negative external factors. We also improved margins in our service business with both operational improvements and by significantly reducing the number of open service trucks to substantially below our normal planned levels. To help mitigate the negative impact from the lower gross margins, we implemented tight management of our controllable expenses. With the combination of the higher-than-anticipated revenue and management of controllable expenses, we were able to partially offset the gross margin challenges that we faced and delivered operating profit slightly below our planned amount.

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Snapshot of 2018 Compensation Decisions

Based on our performance and consistent with the design of our program, the Compensation Committee made the following executive compensation decisions for fiscal 2018:

- Base salary: Approved salary increases ranging from 5% to 10.5% based on merit increases, market increases and offsets from the elimination of the annual perquisite allowance.

- 2018 Short-Term Incentive Plan (STIP): Financial and strategic objectives resulted in an overall payout percentage of 101.95% of target, subject to organizational weighting for certain executives.

- 2018 Long-Term Incentive Plan (LTIP) Awards: Named Executives received 20% of their grant in restricted stock, 40% in stock options and 40% in performance-based restricted stock units (PRSUs).

- 2016 PRSU Awards: Since the company did not meet its targets for the 2016-2018 LTIP, the Named Executives did not receive any payout of shares for this award.

- RSU Awards: Three Named Executives received one-time awards of restricted stock units (RSUs) separate from the LTIP program.

The Compensation Committee believes that the design and structure of the company s incentive program, and the decisions it makes, provides a direct link between company performance and pay outcomes for the executives, as described in greater detail below.

Role of the Committee in the Compensation Process

The Compensation Committee ensures that executive compensation and benefit programs are consistent with our compensation philosophy and other corporate goals. The Compensation Committee makes decisions regarding Total Direct Compensation (i.e., base salary and short-term and long-term variable pay), other benefits and perquisites for Named Executives, and, subject to final approval from the Executive Committee, the compensation of our CEO.

Compensation Determination Process

The Compensation Committee typically meets four times a year to consider various aspects of compensation for the Named Executives and non-employee directors. Among other things, it decides how to allocate each Named Executive s Total Direct Compensation and determines the target level of Total Direct Compensation for each. The committee sets Total Direct Compensation and the allocation between each element so that it is consistent with our compensation objectives.

While we do not target any specific mix of compensation, we generally aim to have a compensation program that is in line with benchmarked companies and survey data. In addition, we aim to appropriately balance (i) fixed versus variable compensation, (ii) short- versus long-term compensation, (iii) company versus individual performance, and (iv) shareholder, financial, operational and strategic goals. The balance and mix of incentive compensation are reviewed and determined each year based on short- and long-term objectives of the business.

Annually in December, the Compensation Committee conducts a comprehensive review of pay levels for our Named Executives. The Compensation Committee sets the Named Executives Total Direct Compensation opportunity at its annual February meeting. As part of the review, the committee receives proxy peer data and other external reference data in the form of published executive compensation surveys from Pearl Meyer.

In setting compensation for 2018, the Compensation Committee reviewed a combination of proxy peer group and executive compensation surveys to identify competitive market compensation practices and our overall competitive position. The committee works with Pearl Meyer to review the set of comparator firms (the comparator group) and to identify and use appropriate executive compensation survey sources against which we assess the competitiveness of executive pay levels.

In addition, the committee considers internal data, including each executive officer s performance, experience, management capabilities and contributions to our operations, and the tactical and strategic value of specific skill sets of certain key executives. When assessing the compensation of our CEO, the Compensation Committee and the Executive

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Committee evaluate our financial performance against that of peer companies and our CEO s performance against goals and strategic development of the company.

In connection with the processes outlined above, for 2018, Ms. McKnight, our Senior Vice President, Chief Administrative Officer, provided input on the job scope of each executive officer and facilitated the gathering of the market data used by Pearl Meyer. Pearl Meyer conducted the analysis, reviewed the information in advance with the Chair of the Compensation Committee and reviewed management s compensation recommendations with the committee. Ms. McKnight was available for questions at the committee meeting when the compensation of the executive officers, except for our CEO, is discussed, but played no role in determining her own compensation. Pearl Meyer independently met alone with the committee, without the presence of members of management, when the compensation of our CEO was discussed.

Comparator Group

The comparator group is used for benchmarking Total Direct Compensation for Named Executives and for non-employee director compensation. The selection methodology for reviewing and determining the comparator group have generally included: industry, size, market capitalization, revenue, geographic product mix and customer segmentation, and aggregate similarity to our company.

The committee reviews the comparator group every year to ensure each company remains appropriate for compensation comparison purposes and reflects our size and scope of business. In addition, the committee reviews and validates the selection criteria every year to ensure it aligns with our business strategies.

In April 2017, the Compensation Committee, working with Pearl Meyer, conducted its regular review of the comparator group for 2018. The committee approved the removal of CLARCOR Inc. from the comparator group because it had been acquired and no longer fit the company s criteria for its comparator group.

The 19 companies that made up our 2018 comparator group at the time the committee established 2018 Named Executive and non-employee director compensation are listed below. The Compensation Committee selected these companies because they were similar in scope and size, with revenues between $382 million and $2,422 million and market cap between $558 million and $7,851 million.

Actuant Corporation	Federal Signal Corporation
Altra Industrial Motion Corp.	Gorman-Rupp Company
Alamo Group Inc.	Graco Inc.
Barnes Group Inc.	Nordson Corporation
Briggs & Stratton Corporation	Standex International Corporation
Chart Industries, Inc.	The Middleby Corporation
CIRCOR International, Inc.	The Toro Company
Columbus McKinnon Corporation	Tredegar Corporation
Donaldson Company, Inc.	Watts Water Technologies, Inc.
Esco Technologies Inc.	

Compensation Governance

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

What We Do:

- place a heavy emphasis on performance-based compensation, using a combination of short- and long-term incentives, to ensure a strong connection between our operating performance and actual compensation;

- maintain multi-year vesting requirements for equity compensation awards;

- provide 100% of long-term incentives in the form of equity;

- enforce rigorous stock ownership guidelines;

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- maintain a compensation recoupment (claw back) policy;
- maintain a fully independent Compensation Committee;
- retain an independent compensation consultant;
- annually review risks associated with compensation; and
- provide shareholders an annual opportunity to cast a say-on-pay vote.

What We Don t Do:

- provide gross-up payments to cover excise taxes for executive or severance benefits;
- provide excessive or special perquisites;
- option backdating or repricing;
- provide grants of reload stock options; or
- allow hedging or pledging of Tennant securities by executive officers.

2018 Say-On-Pay

Each year, we carefully consider the results of our shareholder say-on-pay vote from the preceding year. In 2018, approximately 94% of the votes cast supported our executive compensation decisions. Overall, we believe our shareholders are highly supportive of our executive compensation program and its direction. As a result, in 2018 we did not make substantive changes to the structure of our program. We will continue to keep an open dialogue with our shareholders to help ensure that we have a regular pulse on investor perspectives.

What Guides Our Program

Compensation Objectives

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

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

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

- create a relationship between pay and performance by providing a strong link between our short- and long-term business goals and executive compensation;
- attract and retain high-caliber key executive officers who can create long-term financial success for the company and enhance shareholder return;
- motivate executive officers to achieve our goals by placing a significant portion of pay at risk;

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- align the interests of executive officers with those of our shareholders by providing a significant portion of compensation in stock-based awards; and

- discourage risk-taking behavior that would likely have a material adverse effect on the company.

Linking Pay and Performance

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

The Compensation Committee works closely with its outside consultant, Pearl Meyer, to evaluate our compensation programs and ensure adherence to our pay-for-performance philosophy. During 2018, Pearl Meyer assessed the relationship between total realizable pay (as defined below) and our Total Shareholder Return (TSR) for the three-year period ended December 31, 2017. This approach uses the most recent period coinciding with our fiscal year-end for which corresponding peer group compensation data is also available. The analysis looks at the degree of alignment between total compensation delivered to Named Executives during the review period and our performance relative to our peer group. Total realizable pay is defined as the sum of the following components:

- actual base salaries paid over the three-year period;

- actual short-term incentive awards paid for the three-year period;

- the Black-Scholes value as of December 31, 2017 of any stock options granted over the three-year period;

- the value as of December 31, 2017 of restricted shares granted over the three-year period; and

- the value as of December 31, 2017 of PRSUs earned for cycles ending in 2015, 2016 and 2017.

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

As illustrated in the chart below, realizable pay for our CEO and other Named Executives was generally aligned with our relative TSR performance against peers. Realizable pay for the three-year period for our CEO and other Named Executives approximated the 20th to 30th percentile. Our TSR over the same period of time approached the 20th percentile.

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Direct Compensation Elements

We seek to achieve our objectives using the following compensation elements:

Element	Type	Terms
Cash	Base Salary	Fixed pay element that reflects the value of the executive role. Generally eligible for increase annually, depending on market conditions, performance and internal equity.
	Short-Term Incentive	Focuses on achievement of annual goals that are directly linked to execution of the company s annual operating plan and calibrated to deliver performance-aligned pay.
Long-Term Incentive Compensation (100% Equity)		The LTIP program focuses on: (1) direct linkage to stock price performance; (2) key financial drivers of shareholder value; and (3) supporting leadership retention objectives and facilitating and encouraging executive retention and stock ownership through the grant of stock options, performance-based restricted stock units, and restricted stock with opportunities calibrated to deliver pay aligned with performance.
	Performance-Based Restricted Stock Units (represents 40% of total annual award)	The performance period for PRSUs is three years. Payment is variable based on the relative achievement of pre-set financial goals. PRSUs are settled in shares of our common stock on settlement.
	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.
	Restricted Stock (represents 20% of total annual award)	Restricted stock generally vests three years from the grant date. Dividends are accumulated on restricted stock during the vesting period and paid in cash upon vesting.
Other Equity	Restricted Stock Units (used for one-time grants outside of LTIP program)	RSUs generally vest two or three years from the grant date. RSUs are paid in shares of our common stock on settlement.

Total Direct Compensation: Pay Mix

Our compensation strategy is to target compensation levels within a competitive range of the comparator group at approximately the 50th percentile in base salary and between the 50th and 75th percentile for short-term and long-term incentives, positioning Total Direct Compensation between the 50th and 75th percentile. The Compensation Committee believes that this strategy provides sufficient short-term compensation to attract and retain competitive talent, but also places a large portion of pay in the form of equity and performance-based pay at risk to drive long-term performance goals.

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Based on Compensation Committee s pay decisions, the charts below show the target Total Direct Compensation that Mr. Killingstad and other Named Executives received in fiscal 2018. These charts illustrate that a majority of Total Direct Compensation (approximately 81%) of Mr. Killingstad s compensation is variable and at risk, and an average of 67% of Total Direct Compensation for our other Named Executives is variable and at-risk based on our performance. The other Named Executive chart does not include Mr. Woodward who joined the company in December 2018 and was not eligible for short-term or long-term incentives for 2018.

Key Compensation Decisions for 2018

Base Salary and Incentive Targets

Base salaries and incentive targets for Named Executives are reviewed annually to ensure that they remain competitive and reflect the scope and responsibility of their positions. In making base salary and incentive target decisions, the Compensation Committee considers benchmarking data provided by Pearl Meyer, our CEO s recommendations, current base salary, relative position related to market data, scope and complexity of the position, experience, individual performance and internal pay equity.

For 2018, the Compensation Committee approved salary increases for the Named Executives ranging from 5% to 10.5% based on a combination of merit increases, market increases and offsets from the elimination of the annual perquisite allowance.

		Base Salary	
	2017($)	**2018($)**	**% Increase**
H. Chris Killingstad	732,568	772,719	5.5
Keith A. Woodward(**1**)		435,000	
Richard H. Zay	356,487	383,374	7.5
David W. Huml	332,448	361,877	8.9
Carol E. McKnight	287,834	318,064	10.5

Thomas Paulson	414,828	435,365	5.0
Jeffrey C. Moorefield	319,815	338,451	5.8

(1) Mr. Woodward was not employed by the company in 2017.

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Based on a review of external market data, incentive targets for 2018 remained the same as for 2017.

	Incentive Targets as a % of Base Salary			
	STIP		LTIP	
	2017	2018	2017	2018
H. Chris Killingstad	120	120	320	320
Richard H. Zay	60	60	145	145
David W. Huml	60	60	145	145
Carol E. McKnight	55	55	115	115
Thomas Paulson	70	70	175	175
Jeffrey C. Moorefield	55	55	130	130

Mr. Woodward did not participate in the STIP or LTIP for 2018.

Incentive Compensation Metrics

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

Performance Metrics	How It Is Determined/Defined	How It is Used
Incentive Operating Profit in dollars (Incentive OP$)	Determined by measuring reported net sales minus operating expenses, which includes the cost of sales, research and development expenses and selling and administration expenses, and excludes certain extraordinary and non-operational items, if any	2018 STIP
Incentive Operating Profit as a percentage of net sales (Incentive OP%)	Determined by dividing Incentive OP$ by reported annual net sales	2018 STIP
Total Revenue	Defined as reported annual net sales including the impact of foreign currency and divestitures and acquisitions	2018 STIP
Incentive Return on Invested Capital (Incentive ROIC)	Defined as Incentive OP$ divided by (total assets cash short-term investments) (total liabilities debt)	2016-2018 LTIP 2017-2019 LTIP 2018-2020 LTIP
Organic Revenue	Defined as reported annual net sales excluding the impact of foreign currency exchange and divestitures and acquisitions, when applicable, for each of the three years in the performance period, divided by three	2016-2018 LTIP 2017-2019 LTIP
Cumulative Earnings Per Share	Defined as net earnings divided by weighted average shares outstanding	2018-2020 LTIP

With respect to Incentive OP$ and Incentive OP%, the Compensation Committee has authority to interpret our incentive plans and adjust the metrics and take other actions in its sole discretion to assure that the plans operate consistently with the compensation goals. The plans were designed such that when calculating the metric achievement, the committee has the authority to adjust results for non-operating and other extraordinary items. For 2018, the only discretionary adjustment approved by the Compensation Committee related to the business unit results applicable to Mr. Huml s STIP payout, whereby the results were adjusted to exclude the impact of certain depreciation expense and the reversal of certain amortization expense related to the IPC acquisition that were not included in the operating plan for the business unit. In approving the adjustment, the Compensation Committee considered that the nature of the adjustment did not relate to the core performance of the business unit.

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Achievement of 2018 Short-Term Incentive Plan

To drive achievement of our growth and financial performance goals, our 2018 STIP metrics were Incentive OP$, Incentive OP%, and Total Revenue. In 2018, based on the company s financial performance against these metrics, the payout level was 101.95% of target.

Performance Measure	**Weighting**	**Threshold**	**Target**	**Maximum**	**2018 Actual**
Incentive OP$ ($ in thousands)	50%	$ 60,600	$ 70,600	$ 84,700	$ 68,394
Incentive OP%	25%	5.1%	6.4%	7.7%	6.1%
Total Revenue ($ in thousands)	25%	$ 1,044,935	$ 1,099,932	$ 1,154,929	$ 1,123,511
Payout Level (% of Target Payout)		50%	100%	200%	101.95%

2018 Short-Term Incentive Plan Organizational Weightings

Named Executives	**2018 Organizational Weighting**
H. Chris Killingstad	100% weighting on company financial results
Richard H. Zay	70% weighting on company financial results; 30% weighting on Americas business unit results
David W. Huml	70% weighting on company financial results; 30% weighting on consolidated EMEA, APAC and IPC results
Carol E. McKnight	100% weighting on company financial results
Thomas Paulson	100% weighting on company financial results
Jeffrey C. Moorefield	100% weighting on company financial results

Messrs. Killingstad and Paulson and Ms. McKnight each earned a 2018 STIP payout of 101.95% of target. In setting the performance goals for the Americas, EMEA, APAC and IPC business units, the Compensation Committee strove to make the difficulty of achieving the different payout levels on par with the difficulty of achieving the corporate payout levels, while also taking the specific circumstances facing these businesses into account. Accordingly, Mr. Zay earned a 2018 STIP payout of 93.69% based in part on consolidated Americas financial results of 74.42%, and Mr. Huml earned a 2018 STIP payout of 100.19% of target based in part on consolidated EMEA, APAC and IPC financial results at 96.10%. In accordance with his Transition and Separation Agreement, as discussed below, Mr. Moorefield received a 2018 STIP payout of 100%. Mr. Woodward did not participate in the 2018 STIP.

Achievement of 2016-2018 Long-Term Incentive Plan Performance-Based Restricted Stock Units

In February 2016, the Compensation Committee approved the 2016-2018 LTIP for the Named Executives in the following mix:

- 40% PRSUs that vest in three years based on the performance metrics described below;
- 40% non-qualified stock options vesting ratably over three years; and
- 20% restricted stock that cliff vests at the end of three years.

To determine if the PRSUs would be paid out, we needed to achieve a certain three-year average Incentive ROIC threshold. If the Incentive ROIC threshold was achieved, a three-year average Organic Revenue target would be used to determine the variable payout in shares at the end of the performance period. Incentive ROIC is adjusted for certain types of extraordinary items as defined and approved by the Compensation Committee at the beginning of the performance period.

On February 13, 2019, the Compensation Committee determined that, because the Incentive ROIC threshold was not achieved, no payout was earned for the 2016-2018 PRSUs. The threshold for payment would have required that we achieve a simple three-year average Incentive ROIC of 33% and average Organic Revenue of $833 million. The actual three-year average Incentive ROIC was 24.5%, and actual average Organic Revenue was $828 million.

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2018-2020 Long-Term Incentives

For the 2018-2020 LTIP, the Compensation Committee approved the same mix of equity awards described with respect to the 2016-2018 LTIP but modified the metrics to Incentive ROIC (weighting of 60%) and Cumulative Earnings Per Share (weighting of 40%). For more information regarding the specific grants made to Named Executives under the 2018-2020 LTIP, see the Summary Compensation Table and the Grants of Plan-Based Awards table. Both the Incentive ROIC goal and the performance calculation exclude the impact of variables such as extraordinary items, unusual or non-recurring events, changes in accounting principles, realized investment gains or losses, discontinued operations, acquisitions, divestitures and material restructuring or impairment charges. The Incentive ROIC metric is important as it measures the return generated from capital invested and holds us accountable for both profitability and effective use of our balance sheet. We use Cumulative Earnings Per Share as a metric because of its bottom-line focus on profitability, its multiple levers to drive performance over multi-year periods and because it is a key measure to our investors. Earnings Per Share is also the most prevalent metric used by our peers in their performance-based long-term incentive programs.

Performance at the threshold level earns a payout equal to 50% of target, while performance at the maximum level earns a payout equal to 200% of target. The performance targets are confidential and competitive information, particularly to the extent they relate to projected company financial data, which the company does not publicly disclose. The Compensation Committ