

# **Tennant Company Audit Committee Charter**

## **Purpose**

The Audit Committee (the “Committee”) is appointed by the Board of Directors (the “Board”) of Tennant Company (the “Company”) to assist Board oversight of: (i) the integrity of the Company’s financial statements, (ii) the Company’s compliance with legal and regulatory requirements, (iii) the independent auditor’s qualifications, independence and performance, (iv) the performance of the Company’s internal audit function and system of internal control over financial reporting, (v) the Company’s ethics compliance program, and (vi) significant financial matters of the Company.

## **Organization**

The Committee shall be composed of at least three or more Board members who:

- Meet the criteria of independence under the NYSE listing standards,
- Meet the criteria of independence under Section 10A(m)(3) of the Securities Exchange Act of 1934 (the “Exchange Act”),
- Are free of any relationship that would interfere with their exercise of independent judgment as Committee members, and
- Are financially literate as defined by the NYSE rules or become financially literate within a reasonable period of time after his or her appointment to the Committee.

In addition, at least one member of the Committee must have accounting or related financial management expertise as required by the NYSE rules. The Committee shall also endeavor to have at all times on the Committee at least one member who satisfies the definition of an “audit committee financial expert” as defined by the Securities and Exchange Commission (“SEC”). Compliance with all of the foregoing requirements shall be determined by the Board in its business judgment and in accordance with applicable rules, regulations and standards in effect from time to time. Committee members shall not serve on the audit committees of more than two other public companies.

The Board appoints members of the Committee upon recommendation of the Governance Committee. Committee members may be removed or replaced by the Board from time to time in its discretion.

A Committee chair shall be elected by the Committee after taking into account the recommendation of the Governance Committee and the chair shall be responsible for reporting to the full Board activities and decisions of the Committee.

## Responsibilities

In the course of its oversight of independent auditors as provided under this charter, the Committee will be guided by the premise that the independent auditors are ultimately accountable to the Board and the Committee. Selection of the independent auditors shall be made by the Board following a recommendation by the Committee. In addition, the Committee shall, to the extent required by applicable laws or regulations or determined necessary or appropriate by the Committee:

### *Oversight of Independent Auditor*

1. Review and discuss representations from the independent auditor regarding:
  - critical accounting policies and practices to be used,
  - alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor, and
  - other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences.
  
2. Obtain and review a report from the independent auditor at least annually regarding:
  - the independent auditor's internal quality-control procedures,
  - any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm,
  - any steps taken to deal with any such issues, and
  - the independent auditor's independence as required by applicable requirements of the Public Company Accounting Oversight Board relating to auditor independence.
  
3. Evaluate the qualifications, performance and independence of the independent auditor, including:
  - actively engaging in a dialogue with the independent auditor regarding any relationships or services that may impact its objectivity and independence,
  - considering whether the auditor's quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the auditor's independence,
  - reviewing and evaluating the lead partner of the independent audit team, and
  - reviewing representations from the independent auditor that none of the partners of the independent audit firm earn or receive compensation based on procuring engagements with the Company for providing products or services, other than audit, review or attest services.

The Committee shall take into account the opinions of management and the internal audit firm and present its conclusions with respect to the independent auditor to the Board.

4. Discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 114 (The Auditor's Communication with those Charged with Governance.)
5. Meet with the independent auditor prior to the audit to review the planning and staffing of the audit.
6. Review with the independent auditor any audit problems or difficulties the auditor may have encountered and management's response thereto. Such reviews should include any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information.
7. Ensure the rotation of the audit partner, lead partner and concurring partner of the independent auditor as required by law.
8. Establish policies for the Company's hiring of employees or former employees of the independent auditor who participated in any capacity in the audit of the Company in order to ensure the independence of the independent auditor under the SEC rules.
9. Discuss with the independent auditor and management any other matters covered by Section 10A of the Securities Exchange Act of 1934 as determined necessary or appropriate by the Committee to ensure compliance.
10. Be directly responsible for the appointment, retention, compensation, evaluation, termination and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The Committee shall have sole authority to approve all audit engagement fees and terms and any non-audit engagements of the independent auditor, subject, in the case of non-audit engagements, to the Pre-Approval Policy for Non-Audit Services attached hereto as Exhibit A. The independent auditor shall report directly to the Committee. The Company shall provide appropriate funding, as determined by the Committee, for payment of compensation to any accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company.

## *Responsibility For Financial Statements And Disclosure Matters*

11. Review the annual audited financial statements with management, including disclosures made in management's discussion and analysis, and recommend to the Board whether the audited financial statements should be included in the Company's Form 10-K.
12. Review and discuss with management and the independent auditor the Company's quarterly financial statements, including disclosures made in management's discussion and analysis, prior to the filing of its Form 10-Q, including the results of the independent auditor's review of the quarterly financial statements. The review and discussion should include any matters identified by the independent auditor pursuant to Statement on Auditing Standards No. 100 (Interim Financial Information) regarding the Company's interim financial statements.
13. Discuss with management and the independent auditor:
  - material financial reporting issues and judgments made in connection with the preparation of the Company's financial statements,
  - any material changes in the Company's selection or application of accounting principles,
  - the Company's system of internal control over financial reporting, including any significant deficiencies or material weaknesses in the design or operation of internal controls that could adversely affect the Company's ability to record, process, summarize and report financial data,
  - the independent auditor's attestation of management's report on internal controls, and
  - any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls.
14. Discuss with management the Company's earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies. Such discussion may be done generally (consisting of discussing the types of information to be disclosed and the types of presentations to be made) and need not occur prior to each release.
15. Discuss with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements.
16. Review any significant reports to management prepared by the independent auditors or the internal audit firm and management's responses.

17. Discuss with management and the independent auditor any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Company's financial statements or accounting policies.
18. Review with the Company's general counsel legal matters that may have a material impact on the financial statements, the Company's compliance policies, and any management material reports or inquiries received from regulatory or governmental agencies.

#### *Oversight of Internal Audit*

19. Discuss with the independent auditor and management the internal audit responsibilities, staffing and performance, and the planned scope of internal audit.
20. Review any appointment or replacement of the internal audit firm(s) used and senior internal audit personnel employed by the Company.

#### *Compliance Oversight*

21. Discuss with management, the independent auditor and internal audit guidelines and policies for assessing and managing the Company's risk exposure and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.
22. Except as otherwise directed by the Board, oversee the Company's ethics compliance program, make recommendations to management with respect to program enhancements and the resolution of ethical issues brought to its attention, and be directly responsible for approving any waiver of the Company's Business Ethics Guide with respect to executive officers or directors of the Company.
23. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

#### *Finance Matters*

24. Review and discuss with management significant finance matters of the Company and its subsidiaries, including capitalization, dividend policy and practices, banking relationships, lines of credit, loan arrangements and credit facilities, credit ratings, debt ratios and debt coverage, cash flows and borrowing and investment activities, including investment criteria and capital investment hurdle rates, and adequacy of insurance coverage for the Company's assets.

25. Review and make recommendations to the Board regarding the Company's financial structure, financial condition, short- and long-range financial strategies, and financial risk management strategies, including the use of derivatives.
26. Review the annual operating plan from the perspective of cash flow, capital spending and financing requirements, and review the annual budget for capital expenditures as well as the results and performance of significant capital expenditures and acquisitions.
27. Review and make recommendations to the Board regarding material changes to the Company's capitalization, including issuance of equity or debt securities or the repurchase of Company securities.
28. Review and make recommendations to the Board regarding acquisitions, including a review of the financial analysis and assumptions used in support of the same.
29. Review and make recommendations to the Board regarding divestitures valued in excess of \$3.0 million, including a review of the financial analysis and assumptions used in support of the same.
30. Review and make recommendations to the Board regarding any other proposed finance transaction of a material nature that is outside the scope of normal on-going business activity.

#### *Committee Administration*

31. Conduct all meetings in accordance with the Company's by-laws and file all minutes and written actions in the Company's records.
32. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
33. Prepare the Committee report required by the rules of the Securities and Exchange Commission to be included in the Company's annual proxy statement.
34. Retain independent counsel and other legal, accounting or other advisors as the Committee determines necessary to carry out its duties. The Company shall provide funding, as determined by the Committee, for payment of compensation to any advisors employed by the Committee.
35. After taking into account its purpose and responsibilities as outlined in this Charter, make an annual assessment of the manner in which it has met such responsibilities (including the number of meetings held, an overall review of matters considered and approved, and the number of meetings attended by each Committee member), and its overall performance.

36. Perform such other duties and responsibilities as may be assigned to the Committee from time to time by the Board. The Committee may form and delegate authority to subcommittees when appropriate.
37. Meet periodically with management, the internal auditors and the independent auditor in separate executive sessions.

While the Committee has the responsibilities and powers set forth in this charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in compliance in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditor. Consequently, the Committee is not responsible for providing any expert or special assurance as to the Company's financial statements and other financial information or any professional certification as to the independent auditor's work, including without limitation its reports on and review of the Company's financial statements and other financial information.

To the extent permissible under applicable laws and regulations, the Committee may delegate its responsibilities to one or more members of the Committee.

### **Meetings**

The Committee shall meet as often it determines, but not less frequently than four (4) times a year. The Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee. The Committee shall report regularly to the Board through presentations at Board meetings, reports made during Executive Committee meetings or by submission of the minutes of the Committee meetings to the Board. In addition to funding for specific purposes described above, the Company shall provide appropriate funding, as determined by the Committee, for ordinary administrative expenses that are necessary for the Committee to carry out its duties.

## Exhibit A

### TENNANT COMPANY PRE-APPROVAL POLICY FOR NON-AUDIT SERVICES

This policy is adopted in accordance with the Audit Committee Charter and applicable laws regarding the Audit Committee's pre-approval responsibilities. The Committee is responsible for pre-approving all domestic and international engagements of the Company's independent auditor to perform for the Company and its subsidiaries audit and non-audit services, subject to any de minimis exception available under applicable laws and regulations.

The Committee's approval of the independent auditor's annual engagement letter shall constitute pre-approval for all services contained in the letter. In connection with the Committee's annual approval of the independent auditor's engagement, the Committee shall approve the engagement of the independent auditor to provide the following audit services:

- audits and reviews in accordance with generally accepted auditing standards
- attestation services
- statutory audits or financial audits for subsidiaries or affiliates
- services associated with registration statements and periodic reports filed the SEC, such as comfort letters, auditor reports and consents and assistance responding to comment letters

In addition, the Company may, without further approval of the Committee, engage the independent auditor to perform any non-audit services if the engagement is consistent with the terms of this policy.

#### Prohibited Non-Audit Services.

The Company is prohibited from engaging the independent auditor to perform the following services:

- bookkeeping or other services related to the accounting records or financial statements of the Company
- financial information systems design and implementation
- appraisal or valuation services, fairness opinions or contribution-in-kind reports
- actuarial services
- internal audit outsourcing services
- management functions or human resources
- broker or dealer, investment adviser, or investment banking services
- legal services and expert services unrelated to the audit

- services provided for a contingent fee or commission, or for which the auditor receives, directly or indirectly, a contingent fee or commission
- services related to marketing, planning, or opining in favor of the tax treatment of, a transaction (i) that is a confidential transaction or (ii) was initially recommended, directly or indirectly, by the auditor and a significant purpose of which is tax avoidance (unless the proposed tax treatment is at least more likely than not to be allowable under applicable tax laws)
- personal tax services to persons in a “financial reporting oversight role” at the Company or an immediate family member of such person (unless permissible under the rules of the PCAOB)
- any other service the SEC or PCAOB determines, by regulation, is impermissible

The Committee may take any actions it deems necessary or appropriate to ensure that the Company’s independent auditor is not engaged to provide any of these prohibited non-audit services.

#### Other Non-Audit Services

The Committee has determined that the following audit-related services are consistent with the role of the independent auditor:

- financial statement audits of employee benefit plans
- due diligence related to mergers and acquisitions
- accounting consultations and audits in connection with acquisitions
- expanded audit procedures related to accounting and/or billing records to respond to or comply with financial, accounting or regulatory reporting matters
- internal control reviews and assistance with internal control reporting requirements
- consultations with management as to<sup>1</sup>:
  - accounting or disclosure treatment of transactions or events
  - actual or potential impact of final or proposed rules, standards or interpretations by the SEC, FASB or other standard setting body
- attest services not required by statute or regulation
- services as a registered agent for the Company in foreign jurisdictions

The Committee has determined that the following tax services are consistent with the role of the independent auditor:

- tax planning and advice (local, state, federal and international)
- tax compliance (local, state, federal and international)
- international expatriate services (including tax services and immigration services)

---

<sup>1</sup> Certain of these consultations may be considered audit services.

- review of tax returns (local, state, federal and international income, franchise and other)
- transfer pricing documentation (local, state, federal and international)
- tax audits to respond to tax authorities' inquiries (local, state, federal and international)

Notwithstanding the foregoing, with respect to any tax service to be provided by the auditor, the auditor shall be required to

- describe in writing to the Committee:
  - the scope of the proposed tax service, the fee structure for the engagement and any such letter or agreement to the engagement letter or other agreement relating to the service; and
  - any compensation arrangement;
- discuss with the Committee the potential effects of the services on the auditor's independence; and
- document the substance of its discussions with the Committee.

The Company may engage the independent auditor to provide any of the non-audit services listed above. The Committee may, annually or from time to time, set fee levels for certain of the non-audit services listed above or for the aggregate fees that may be paid for all non-audit services. Any engagements for services exceeding those levels shall require specific pre-approval by the Committee.

All non-audit services that are not listed above shall require specific pre-approval by the Committee.

### Three Principles of Independence

Each time the Committee considers the pre-approval of engagement of the independent auditor to perform a non-audit service, the Committee shall consider whether the provision of such service is compatible with maintaining the auditor's independence. In that regard, the Committee shall consider whether there is a risk that any of the following principles of independence may be compromised:

- an auditor cannot function in the role of management,
- an auditor cannot audit his or her own work, and
- an auditor cannot serve in an advocacy role for his or her client.

The Committee shall also consider the aggregate amount of fees paid to the independent auditor for non-audit services (audit-related, tax and other non-audit services) in relation to the total fees paid to the independent auditor for all services.

### Delegation of Pre-Approval Authority

The Committee delegates the authority to grant pre-approvals of other permissible non-audit services to the Committee chair, provided that any pre-approvals by the chair shall be reported to the full Committee at its next scheduled meeting.

### Services to Executives

Executive officers of the Company are prohibited from engaging the Company's independent auditor to perform personal services on their behalf (e.g., tax planning, estate planning, etc.).

### Monitoring

The Company's Controller is responsible for tracking all fees paid to the Company's independent auditor for non-audit services for each quarter. This information shall be presented to the Committee during regularly scheduled meetings. The Company shall disclose all approvals of engagements for non-audit services in the Company's SEC filings as required by applicable law.

The Committee may amend or revise this policy from time to time.

## Fulfillment of Audit Committee Responsibilities

	February	April	August	December
<b>Oversight of Independent Auditor</b>				
Discuss financial and accounting representations from auditor (§1)	X	X		
Obtain annual report from auditor (§2)		X		
Evaluate performance of auditor (§3)		X		
Discuss SAS 61 report (§4)	X			
Discuss with auditor planning and staffing of audit			X	
Review with auditor any problems encountered (§6)	*	*	*	*
Ensure the rotation of the audit partner, lead partner and concurring partner (§7)			X	
Recommend policies for hiring employees of the independent auditor in order to insure independence of the auditor (§8)	*	*	*	*
Discuss any other matter to ensure compliance with §10A of the Exchange Act (§9)	*	*	*	*
Be responsible for the appointment, retention, compensation, evaluation, termination and oversight of the auditor (§10)	X	*	X	*
Report of Committee Chair regarding any pre-approvals of non-audit services granted	*	*	*	*
<b>Responsibility for Financial Statements and Disclosure Matters</b>				
Review annual financial statements and recommend whether to include in 10-K (§11)	X			
Review quarterly financial statements (§12)	X	X	X	X
Discuss material financial reporting issues including changes in accounting principles, weaknesses of internal controls, etc. (§13)	*	*	*	*
Discuss approach to earnings releases and guidance (§14)	X			
Discuss the effect of regulatory initiatives, accounting initiatives, and off-balance sheet structures (§15)	*	*	*	*
Review significant independent and internal auditor reports (§16)	*	*	*	*
Discuss correspondence with regulators or governmental agencies and published reports regarding financial statements (§17)	*	*	*	*
Review with general counsel legal matters that will impact financial statements, compliance policies, and reports from regulatory agencies (§18)	*	*	*	*
Review and discuss with management and the				

	February	April	August	December
auditor the Company's internal controls report and the auditor's attestation of the report.	X			
Discuss with the auditor material issues on which the auditor consulted its national office.	X	*	*	*
<b>Oversight of Internal Audit</b>				
Discuss internal audit responsibilities, staffing, and scope (§19)	*	*	*	X
Review appointment or replacement of internal audit firm (§20)				X
<b>Compliance Oversight</b>				
Discuss risk exposure and risk management policies (§21)	*	*	*	X
Oversee ethics compliance program (§22)				X
Review procedures to handle complaints regarding accounting or auditing matters (§23)				X
<b>Finance Matters</b>				
Review significant financial matters (§24)	*	*	*	*
Review financial structure, financial condition, short- and long-range financial strategies, and financial risk management strategies, and make recommendations to the Board (§25)	*	*	X	*
Review annual operating plan and capital plan, as well as the results and performance of significant capital expenditures and acquisitions, and make recommendations to the Board (§26)	*	*	X	X
Review material changes to the Company's capitalization, and make recommendations to the Board (§27)	*	*	*	*
Review acquisitions and make recommendations to the Board (§28)	*	*	*	*
Review divestitures valued in excess of \$3 million, and make recommendations to the Board (§29)	*	*	*	*
Review any other proposed financial transaction of a material nature that is outside the scope of normal on-going business activity, and make recommendations to the Board (§30)	*	*	*	*
<b>Committee Administration</b>				
Elect Committee chair	X			
Review charter, including policies regarding pre-approval of non-audit services, and recommend to the Board proposed changes (§31)				X
Prepare Committee report (§32)	X			

	<b>February</b>	<b>April</b>	<b>August</b>	<b>December</b>
Retain independent counsel, accounting, or other advisors to carry out duties (§33)	*	*	*	*
Conduct Committee self-evaluation (§34)				X
Meet in separate sessions with management, internal auditors, and independent auditors (§35)	*	*	*	*
Invite such other members of management and accounting and financial reporting personnel to attend meetings as the Committee determines appropriate	*	*	*	*

\*As needed; however, whether the item is needed should be considered prior to each meeting.

NOTE: This list represents a general, non-exclusive schedule of committee agenda items. This schedule may be modified or supplemented from time to time as necessary to fulfill the committee's responsibilities or as otherwise requested by the committee.

Chart rev. 12/16