

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-K**

- Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
for the fiscal year ended March 31, 2021 or**
- Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period  
from to**

Commission file number: 001-32253

**ENERSYS**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

23-3058564  
(I.R.S. Employer  
Identification No.)

2366 Bernville Road  
Reading, Pennsylvania 19605  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: 610-208-1991

**Securities registered pursuant to Section 12(b) of the Act:**

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, \$0.01 par value per share	ENS	New York Stock Exchange

**Securities registered pursuant to Section 12(g) of the Act: None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.  Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).  Yes  No

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

State the aggregate market value of the voting and non-voting common equity held by non-affiliates at **October 4, 2020**: \$2,908,005,701 (1) (based upon its closing transaction price on the New York Stock Exchange on October 4, 2020).

(1) For this purpose only, "non-affiliates" excludes directors and executive officers.

**Common stock outstanding at May 21, 2021:**

**42,831,879 Shares of Common Stock**

#### **DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's definitive Proxy Statement for its Annual Meeting of Stockholders to be held on or about August 5, 2021 are incorporated by reference in Part III of this Annual Report.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 (the “Reform Act”) provides a safe harbor for forward-looking statements made by or on behalf of EnerSys. EnerSys and its representatives may, from time to time, make written or verbal forward-looking statements, including statements contained in EnerSys’ filings with the Securities and Exchange Commission (“SEC”) and its reports to stockholders. Generally, the inclusion of the words “anticipate,” “believe,” “expect,” “future,” “intend,” “estimate,” “will,” “plans,” or the negative of such terms and similar expressions identify statements that constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and that are intended to come within the safe harbor protection provided by those sections. All statements addressing operating performance, events, or developments that EnerSys expects or anticipates will occur in the future, including statements relating to sales growth, earnings or earnings per share growth, and market share, as well as statements expressing optimism or pessimism about future operating results, are forward-looking statements within the meaning of the Reform Act. The forward-looking statements are and will be based on management’s then-current beliefs and assumptions regarding future events and operating performance and on information currently available to management, and are applicable only as of the dates of such statements.

Forward-looking statements involve risks, uncertainties and assumptions. Although we do not make forward-looking statements unless we believe we have a reasonable basis for doing so, we cannot guarantee their accuracy. Actual results may differ materially from those expressed in these forward-looking statements due to a number of uncertainties and risks, including the risks described in this Annual Report on Form 10-K and other unforeseen risks. You should not put undue reliance on any forward-looking statements. These statements speak only as of the date of this Annual Report on Form 10-K, even if subsequently made available by us on our website or otherwise, and we undertake no obligation to update or revise these statements to reflect events or circumstances occurring after the date of this Annual Report on Form 10-K.

Our actual results may differ materially from those contemplated by the forward-looking statements for a number of reasons, including the following factors:

- economic, financial and other impacts of the COVID-19 pandemic;
- general cyclical patterns of the industries in which our customers operate;
- the extent to which we cannot control our fixed and variable costs;
- the raw materials in our products may experience significant fluctuations in market price and availability;
- certain raw materials constitute hazardous materials that may give rise to costly environmental and safety claims;
- legislation regarding the restriction of the use of certain hazardous substances in our products;
- risks involved in our operations such as disruption of markets, changes in import and export laws, environmental regulations, currency restrictions and local currency exchange rate fluctuations;
- our ability to raise our selling prices to our customers when our product costs increase;
- the extent to which we are able to efficiently utilize our global manufacturing facilities and optimize our capacity;
- general economic conditions in the markets in which we operate;
- competitiveness of the battery markets and other energy solutions for industrial applications throughout the world;
- our timely development of competitive new products and product enhancements in a changing environment and the acceptance of such products and product enhancements by customers;
- our ability to adequately protect our proprietary intellectual property, technology and brand names;
- litigation and regulatory proceedings to which we might be subject;
- our expectations concerning indemnification obligations;
- changes in our market share in the business segments where we operate;
- our ability to implement our cost reduction initiatives successfully and improve our profitability;
- quality problems associated with our products;
- our ability to implement business strategies, including our acquisition strategy, manufacturing expansion and restructuring plans;
- our acquisition strategy may not be successful in locating advantageous targets;
- our ability to successfully integrate any assets, liabilities, customers, systems and management personnel we acquire into our operations and our ability to realize related revenue synergies, strategic gains, and cost savings may be significantly harder to achieve, if at all, or may take longer to achieve;
- potential goodwill impairment charges, future impairment charges and fluctuations in the fair values of reporting units or of assets in the event projected financial results are not achieved within expected time frames;
- our debt and debt service requirements which may restrict our operational and financial flexibility, as well as imposing unfavorable interest and financing costs;
- our ability to maintain our existing credit facilities or obtain satisfactory new credit facilities;

- adverse changes in our short and long-term debt levels under our credit facilities;
- our exposure to fluctuations in interest rates on our variable-rate debt;
- our ability to attract and retain qualified management and personnel;
- our ability to maintain good relations with labor unions;
- credit risk associated with our customers, including risk of insolvency and bankruptcy;
- our ability to successfully recover in the event of a disaster affecting our infrastructure, supply chain, or our facilities;
- occurrence of natural or man-made disasters or calamities, including health emergencies, the spread of infectious diseases, pandemics, outbreaks of hostilities or terrorist acts, or the effects of climate change, and our ability to deal effectively with damages or disruptions caused by the foregoing; and
- the operation, capacity and security of our information systems and infrastructure.

This list of factors that may affect future performance is illustrative, but by no means exhaustive. Accordingly, all forward-looking statements should be evaluated with the understanding of their inherent uncertainty.

**EnerSys**  
**Annual Report on Form 10-K**  
**For the Fiscal Year Ended March 31, 2021**

**Index**

	<u>Page</u>
<b><u>PART I</u></b>	
<a href="#"><u>Cautionary Note Regarding Forward-Looking Statements</u></a>	<a href="#"><u>3</u></a>
Item 1. <a href="#"><u>Business</u></a>	<a href="#"><u>6</u></a>
Item 1A. <a href="#"><u>Risk Factors</u></a>	<a href="#"><u>14</u></a>
Item 1B. <a href="#"><u>Unresolved Staff Comments</u></a>	<a href="#"><u>24</u></a>
Item 2. <a href="#"><u>Properties</u></a>	<a href="#"><u>25</u></a>
Item 3. <a href="#"><u>Legal Proceedings</u></a>	<a href="#"><u>25</u></a>
Item 4. <a href="#"><u>Mine Safety Disclosures</u></a>	<a href="#"><u>25</u></a>
<b><u>PART II</u></b>	
Item 5. <a href="#"><u>Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u></a>	<a href="#"><u>26</u></a>
Item 6. <a href="#"><u>Selected Financial Data</u></a>	<a href="#"><u>29</u></a>
Item 7. <a href="#"><u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u></a>	<a href="#"><u>30</u></a>
Item 7A. <a href="#"><u>Quantitative and Qualitative Disclosures About Market Risk</u></a>	<a href="#"><u>55</u></a>
Item 8. <a href="#"><u>Financial Statements and Supplementary Data</u></a>	<a href="#"><u>57</u></a>
Item 9. <a href="#"><u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u></a>	<a href="#"><u>112</u></a>
Item 9A. <a href="#"><u>Controls and Procedures</u></a>	<a href="#"><u>112</u></a>
Item 9B. <a href="#"><u>Other Information</u></a>	<a href="#"><u>112</u></a>
<b><u>PART III</u></b>	
Item 10. <a href="#"><u>Directors, Executive Officers and Corporate Governance</u></a>	<a href="#"><u>113</u></a>
Item 11. <a href="#"><u>Executive Compensation</u></a>	<a href="#"><u>113</u></a>
Item 12. <a href="#"><u>Security Ownership of Certain Beneficial Owners and Management Related Stockholder Matters</u></a>	<a href="#"><u>113</u></a>
Item 13. <a href="#"><u>Certain Relationships and Related Transactions, and Director Independence</u></a>	<a href="#"><u>113</u></a>
Item 14. <a href="#"><u>Principal Accounting Fees and Services</u></a>	<a href="#"><u>114</u></a>
<b><u>PART IV</u></b>	
Item 15. <a href="#"><u>Exhibits, Financial Statement Schedules</u></a>	<a href="#"><u>115</u></a>
<a href="#"><u>Signatures</u></a>	<a href="#"><u>119</u></a>

## PART I

### ITEM 1. BUSINESS

#### Overview

EnerSys (the “Company,” “we,” or “us”) is a world leader in stored energy solutions for industrial applications. We also manufacture and distribute energy systems solutions and motive power batteries, specialty batteries, battery chargers, power equipment, battery accessories and outdoor equipment enclosure solutions to customers worldwide. Energy Systems which combine enclosures, power conversion, power distribution and energy storage are used in the telecommunication and broadband, utility industries, uninterruptible power supplies, and numerous applications requiring stored energy solutions. Motive Power batteries and chargers are utilized in electric forklift trucks and other industrial electric powered vehicles. Specialty batteries are used in aerospace and defense applications, large over the road trucks, premium automotive and medical. We also provide aftermarket and customer support services to over 10,000 customers in more than 100 countries through a network of distributors, independent representatives and our internal sales force around the world.

During the first quarter of fiscal 2021, the Company's chief operating decision maker, or CODM (the Company's Chief Executive Officer), changed the manner in which he reviews financial information for purposes of assessing business performance and allocating resources, by focusing on the lines of business on a global basis, rather than on geographic basis. As a result of this change, the Company re-evaluated the identification of its operating segments and reportable segments. The new operating segments were identified as Energy Systems, Motive Power and Specialty. The Company's operating segments also represent its reportable segments under ASC 280, *Segment Reporting*. Therefore, the Company has changed its segment presentation from three reportable segments based on geographic basis to three reportable segments based on line of business. All prior comparative periods presented have been recast to reflect these changes.

The Company's three reportable segments, based on lines of business, are as follows:

- **Energy Systems** - uninterruptible power systems, or “UPS” applications for computer and computer-controlled systems, as well as telecommunications systems, switchgear and electrical control systems used in industrial facilities and electric utilities, large-scale energy storage and energy pipelines. Energy Systems also includes highly integrated power solutions and services to broadband, telecom, renewable and industrial customers, as well as thermally managed cabinets and enclosures for electronic equipment and batteries.
- **Motive Power** - power for electric industrial forklifts used in manufacturing, warehousing and other material handling applications as well as mining equipment, diesel locomotive starting and other rail equipment; and
- **Specialty** - premium starting, lighting and ignition applications in transportation, energy solutions for satellites, military aircraft, submarines, ships and other tactical vehicles as well as medical and security systems.

See Note 23 to the Consolidated Financial Statements for information on segment reporting.

#### Fiscal Year Reporting

In this Annual Report on Form 10-K, when we refer to our fiscal years, we state “fiscal” and the year, as in “fiscal 2021”, which refers to our fiscal year ended March 31, 2021. The Company reports interim financial information for 13-week periods, except for the first quarter, which always begins on April 1, and the fourth quarter, which always ends on March 31. The four quarters in fiscal 2021 ended on July 5, 2020, October 4, 2020, January 3, 2021, and March 31, 2021, respectively. The four quarters in fiscal 2020 ended on June 30, 2019, September 29, 2019, December 29, 2019, and March 31, 2020, respectively.

#### History

EnerSys and its predecessor companies have been manufacturers of industrial batteries for over 125 years. Morgan Stanley Capital Partners teamed with the management of Yuasa, Inc. in late 2000 to acquire from Yuasa Corporation (Japan) its reserve power and motive power battery businesses in North and South America. We were incorporated in October 2000 for the purpose of completing the Yuasa, Inc. acquisition. On January 1, 2001, we changed our name from Yuasa, Inc. to EnerSys to reflect our focus on the energy systems nature of our businesses.

In 2004, EnerSys completed its initial public offering (the “IPO”) and the Company's common stock commenced trading on the New York Stock Exchange, under the trading symbol “ENS”.

## **Key Developments**

There have been several key stages in the development of our business, which explain to a significant degree our results of operations over the past several years.

In March 2002, we acquired the reserve power and motive power business of the Energy Storage Group of Invensys plc. (“ESGI”). Our successful integration of ESGI provided global scale in both the reserve and motive power markets. The ESGI acquisition also provided us with a further opportunity to reduce costs and improve operating efficiency.

During fiscal years 2003 through 2021, we made thirty-four acquisitions around the globe. There were no acquisitions in fiscal 2021 but in fiscal 2020, we completed the acquisition of NorthStar, headquartered in Stockholm, Sweden and in fiscal 2019, we completed the acquisition of Alpha.

### ***NorthStar Acquisition***

On September 30, 2019, we completed the acquisition of NorthStar, for \$77.8 million in cash consideration and the assumption of \$107.0 million in debt, which was funded using existing cash and credit facilities. NorthStar, through its direct and indirect subsidiaries, manufactures and distributes thin plate pure lead (TPPL) batteries and battery enclosures. NorthStar has two large manufacturing facilities in Springfield, Missouri.

The results of the NorthStar acquisition have been included in our results of operations from the date of acquisition. Pro forma earnings and earnings per share computations have not been presented as this acquisition was not considered material.

The results of operations of NorthStar have been included in our Energy Systems segment and Specialty segment, respectively.

### ***Alpha Acquisition***

On December 7, 2018, the Company completed the acquisition of all of the issued and outstanding common stock of Alpha Technologies Services, Inc. (“ATS”) and Alpha Technologies Ltd. (“ATL”), resulting in ATS and ATL becoming wholly-owned subsidiaries of the Company (the “Alpha share purchase”). Additionally, the Company acquired substantially all of the assets of Alpha Technologies Inc. and certain assets of Altair Advanced Industries, Inc. and other affiliates of ATS and ATL (all such sellers, together with ATS and ATL, “Alpha”), in each case in accordance with the terms and conditions of certain restructuring agreements (collectively, the “Alpha asset acquisition” and together with the Alpha share purchase, the “Alpha acquisition”). Based in Bellingham, Washington, Alpha is a global industry leader in the comprehensive commercial-grade energy solutions for broadband, telecom, renewable, industrial and traffic customers around the world. The initial purchase consideration for the Alpha acquisition was \$750.0 million of which \$650.0 million was paid in cash and the balance was settled by issuing 1,177,630 shares of EnerSys common stock. These shares were issued out of the Company’s treasury stock and were valued at \$84.92 per share, which was based on the thirty-day volume weighted average stock price of the Company’s common stock at closing, in accordance with the purchase agreement. The 1,177,630 shares had a closing date fair value of \$93.3 million, based upon the December 7, 2018 closing date spot rate of \$79.20. The total purchase consideration, consisting of cash paid of \$650.0 million, shares valued at \$93.3 million and adjustment for working capital (due from seller of \$0.8 million) was \$742.5 million.

The Company funded the cash portion of the acquisition with borrowings from the Amended Credit Facility (as defined in the Liquidity and Capital Resources section in Item 7. below).

The results of operations of Alpha have been included in the Company’s Energy Systems segment beginning December 8, 2018.

## **Our Customers**

We serve over 10,000 customers in over 100 countries, on a direct basis or through our distributors. We are not overly dependent on any particular end market. Our customer base is highly diverse, and no single customer accounts for more than 10% of our revenues.

Our Energy Systems customers consist of both global and regional customers. These customers are in diverse markets including telecom, UPS, electric utilities, security systems, emergency lighting, services to broadband, telecom, renewable and industrial customers, as well as thermally managed cabinets and enclosures for electronic equipment and batteries.

Our Motive Power products are sold to a large, diversified customer base. These customers include material handling equipment dealers, forklift and heavy truck original equipment manufacturers (“OEMs”) and end users of such equipment. End users include manufacturers, distributors, warehouse operators, retailers, airports, mine operators and railroads.

Our Specialty products are utilized in transportation, aerospace and defense markets. The products are sold globally to OEMs, distribution partners, vehicle fleets and directly to government entities such as the United States of America, Germany and the United Kingdom.

### **Distribution and Services**

We distribute, sell and service our products throughout the world, principally through company-owned sales and service facilities, as well as through independent manufacturers’ representatives. Our company-owned network allows us to offer high-quality service, including preventative maintenance programs and customer support. Our warehouses and service locations enable us to respond quickly to customers in the markets we serve. We believe that the extensive industry experience of our sales organization results in strong long-term customer relationships.

### **Manufacturing and Raw Materials**

We manufacture and assemble our products at manufacturing facilities located in the Americas, EMEA and Asia. With a view toward projected demand, we strive to optimize and balance capacity at our battery manufacturing facilities globally, while simultaneously minimizing our product cost. By taking a global view of our manufacturing requirements and capacity, we believe we are better able to anticipate potential capacity bottlenecks and equipment and capital funding needs.

The primary raw materials used to manufacture our products include lead, plastics, steel and copper. We purchase lead from a number of leading suppliers throughout the world. Because lead is traded on the world’s commodity markets and its price fluctuates daily, we periodically enter into hedging arrangements for a portion of our projected requirements to reduce the volatility of our costs.

### **Competition**

The industrial energy storage market is highly competitive both among competitors who manufacture and sell industrial batteries and other energy storage systems and solutions and among customers who purchase industrial energy solutions. Our competitors range from development stage companies to large domestic and international corporations. Certain of our competitors produce energy storage products utilizing technologies or chemistries different from our own. We compete primarily on the basis of reputation, product quality, reliability of service, delivery and price. We believe that our products and services are competitively priced.

#### *Energy Systems*

We compete principally with East Penn Manufacturing, Exide Technologies (Stryten), New Power, C&D Technologies Inc., Vertiv, ABB, Amphenol (Delta/Eltek), as well as Chinese producers.

#### *Motive Power*

Our primary global competitors in traditional lead-acid include East Penn Manufacturing, Exide Technologies (Stryten), Hoppecke, Eternity, Midac, Sunlight and TAB, as well as a number of domestic Chinese manufacturers. Additionally, while lithium-ion battery technology in the motive power space has traditionally been relegated to smaller material handling applications, we have seen the entrance of a number of companies into larger battery types, acting as lithium cell packagers or integrators of cells sourced primarily from Asia. The integrators include forklift original equipment manufacturers either directly or through partnership with other entities.



## *Specialty*

We compete globally within the Transportation, Aerospace and Defense markets and specialized lithium technologies used in these critical applications. Our TPPL technology is a significant player in the applications using absorbed glass materials (AGM). Our major competitors in AGM technology are Clarios, East Penn Manufacturing, Exide Technologies (Stryten) Stryten, Fiamm, Banner and Atlas. In the Aerospace and Defense specialized markets our main competitors are Eagle Picher and SAFT.

## **Warranties**

Warranties for our products vary geographically and by product type and are competitive with other suppliers of these types of products. Generally, our Energy Systems product warranties range from one to twenty years, our Motive Power product warranties range from one to seven years and from one to four years for Specialty transportation batteries. The length of our warranties is varied to reflect regional characteristics and competitive influences. In some cases, our warranty period may include a pro rata period, which is typically based around the design life of the product and the application served. Our warranties generally cover defects in workmanship and materials and are limited to specific usage parameters.

## **Intellectual Property**

We have numerous patents and patent licenses in the United States and other jurisdictions but do not consider any one patent to be material to our business. From time to time, we apply for patents on new inventions and designs, but we believe that the growth of our business will depend primarily upon the quality of our products and our relationships with our customers, rather than the extent of our patent protection.

We believe we are the leader in TPPL. We believe that a significant capital investment would be required by any party desiring to produce products using TPPL technology for our markets.

We own or possess exclusive and non-exclusive licenses and other rights to use a number of trademarks in various jurisdictions. We have obtained registrations for many of these trademarks in the United States and other jurisdictions. Our various trademark registrations currently have durations of approximately 10 to 20 years, varying by mark and jurisdiction of registration and may be renewable. We endeavor to keep all of our material registrations current. We believe that many such rights and licenses are important to our business by helping to develop strong brand-name recognition in the marketplace.

## **Seasonality**

Our business generally does not experience significant quarterly fluctuations in net sales as a result of weather or other trends that can be directly linked to seasonality patterns, although transportation and power electronics can experience seasonality in colder months. Despite that, historically our fourth quarter is our best quarter with higher revenues and generally more working days while our second quarter is the weakest due to the summer holiday season in Western Europe and North America.

## **Product and Process Development**

Our product and process development efforts are focused on the creation of new stored energy products, and integrated power systems and controls. We allocate our resources to the following key areas:

- the design and development of new products;
- optimizing and expanding our existing product offering;
- waste and scrap reduction;
- production efficiency and utilization;
- capacity expansion without additional facilities; and
- quality attribute maximization.

## Employees

At March 31, 2021, we had approximately 11,400 employees. Of these employees, approximately 27% were covered by collective bargaining agreements. Employees covered by collective bargaining agreements that expire in the next twelve months were approximately 11% of the total workforce. The average term of these agreements is 2 years, with the longest term being 3.5 years. We consider our employee relations to be good. We did not experience any significant labor unrest or disruption of production during fiscal 2021.

### Information about Our Executive Officers

As of May 26, 2021, our executive officers are:

David M. Shaffer, age 56, *President and Chief Executive Officer*. Mr. Shaffer has been a director of EnerSys and has served as our President and Chief Executive Officer since April 2016. Prior thereto, he served as President and Chief Operating Officer since November 2014. From January 2013 through October 2014, he served as our President-EMEA. From 2008 to 2013, Mr. Shaffer was our President-Asia. Prior thereto he was responsible for our telecommunications sales in the Americas. Mr. Shaffer joined EnerSys in 2005 and has worked in various roles of increasing responsibility in the industry since 1989. Mr. Shaffer received his Masters of Business Administration degree from Marquette University and his Bachelor of Science degree in Mechanical Engineering from the University of Illinois.

Holger P. Aschke, age 52, *Former President, EMEA & APAC*. Mr. Aschke served as President, EMEA & APAC from April 2019 through June 30, 2020, and remains an employee through June 30, 2021. Prior thereto, from January 2016, he was our President-EMEA. From April 2010 to January 2016, Mr. Aschke was the Vice President Sales and Marketing Reserve Power-Europe. Mr. Aschke joined a predecessor company in 1996 and has held a wide range of operational and sales roles of increased responsibility in the Company's EMEA business. Mr. Aschke completed a commercial IT education and apprenticeship sponsored by the University of Dortmund (Germany) and completed the Advanced Management Program from INSEAD (France).

Michael J. Schmidlein, age 60, *Executive Vice President and Chief Financial Officer*. Mr. Schmidlein has served as Executive Vice President and Chief Financial Officer since January 2016. Prior thereto, since February 2010, he was our Senior Vice President-Finance and Chief Financial Officer. From November 2005 until February 2010, Mr. Schmidlein was Vice President-Corporate Controller and Chief Accounting Officer. Prior thereto, Mr. Schmidlein was the Plant Manager of our manufacturing facility in Warrensburg, Missouri. In 1995, he joined the Energy Storage Group of Invensys plc, which EnerSys acquired in 2002. Mr. Schmidlein is a certified public accountant and received his Bachelor of Science degree in Accounting from the University of Missouri.

Shawn M. O'Connell, age 48, *President, Motive Power Global*. Mr. O'Connell has served as our President, Motive Power Global since July 2020. Prior thereto, from April 2019 through July 2020, he served as our President, Motive Power, our Vice President-Reserve Power Sales and Service for the Americas from February 2017, and Vice President of EnerSys Advanced Systems from December 2015 to January 2017. Mr. O'Connell joined EnerSys in 2011, serving in various sales and marketing capacities in several areas of our business. Mr. O'Connell received his Master of Business Administration degree in International Business from the University of Redlands, CA and his Bachelor of Arts degree in English Literature from the California State University, San Bernardino. Mr. O'Connell is a veteran of the U.S. Army's 82nd Airborne Division (Paratroopers) where he served as a Signals Intelligence Analyst, Spanish Linguist, and held a Top-Secret security clearance.

Andrew M. Zogby, age 61, *President, Energy Systems Global*. Mr. Zogby has served as President, Energy Systems Global since July 2020. Prior thereto, from April 2019, he served as President, Energy Systems-Americas. He joined EnerSys upon completion of the acquisition of Alpha Technologies in December 2018. Mr. Zogby served as President of Alpha Technologies since 2008 and brings over 30 years of experience in global broadband, telecommunications and renewal energy industries. He has held corporate leadership positions with several leading technology firms. Mr. Zogby received his Bachelor of Science degree in Industrial and Labor Relations from LeMoyne College, Syracuse, New York, and his Master of Business Administration degree from Duke University's Fuqua School of Business. He is active in the US Chamber of Commerce, and serves on the Chamber's Energy, Clean Air & Natural Resources Committee and the C\_TEC, Chamber Technology Engagement Center Committee.

## **Environmental Matters and Climate Change Impacts**

We are committed to the protection of the environment and train our employees to perform their duties accordingly. In the manufacture of our products throughout the world, we process, store, dispose of and otherwise use large amounts of hazardous materials, especially lead and acid. As a result, we are subject to extensive and evolving environmental, health and safety laws and regulations governing, among other things: the generation, handling, storage, use, transportation and disposal of hazardous materials; emissions or discharges of hazardous materials into the ground, air or water; and the health and safety of our employees. In addition, we are required to comply with the regulation issued from the European Union called Registration, Evaluation, Authorization and Restriction of Chemicals or “REACH”. Under the regulation, companies which manufacture or import more than one ton of a covered chemical substance per year are required to register it in a central database administered by the European Chemicals Agency. The registration process requires the submission of information to demonstrate the safety of chemicals as used and could result in significant costs or delay the manufacture or sale of our products in the European Union. Additionally, industry associations and their member companies, including EnerSys, have scheduled meetings with the European Union member countries to advocate for their support of an exemption for lead compounds. Compliance with these laws and regulations results in ongoing costs. Failure to comply with these laws and regulations, or to obtain or comply with required environmental permits, could result in fines, criminal charges or other sanctions by regulators. From time to time, we have had instances of alleged or actual noncompliance that have resulted in the imposition of fines, penalties and required corrective actions. Our ongoing compliance with environmental, health and safety laws, regulations and permits could require us to incur significant expenses, limit our ability to modify or expand our facilities or continue production and require us to install additional pollution control equipment and make other capital improvements. In addition, private parties, including current or former employees, can bring personal injury or other claims against us due to the presence of, or their exposure to, hazardous substances used, stored, transported or disposed of by us or contained in our products.

### *Environmental and safety certifications*

Sixteen of our facilities in the Americas, EMEA and Asia are certified to ISO 14001 standards. ISO 14001 is a globally recognized, voluntary program that focuses on the implementation, maintenance and continual improvement of an environmental management system and the improvement of environmental performance. Eight facilities in EMEA and Asia are certified to ISO 45001 standards. The ISO 45001 is a globally recognized occupational health and safety management systems standard.

### *Climate change impacts*

The potential impact of climate change on our operations is uncertain. Climate change may result in, among other things, changes in rainfall and storm patterns and intensity and increased temperature and sea levels. As discussed elsewhere in this Annual Report on Form 10-K (Annual Report), including in Item 1A. Risk Factors, our operating results are significantly influenced by weather, and significant changes in historical weather patterns could significantly impact our future operating results. For example, if climate change results in drier weather and more accommodating temperatures over a greater period of time, we may be able to increase our productivity, which could positively impact our revenues and gross margins. Conversely, if climate change results in a greater amount of rainfall, snow, ice or other less accommodating weather conditions, we could experience reduced productivity, which could negatively impact our revenues and gross margins. Further, while an increase in severe weather events, such as hurricanes, tropical storms, blizzards and ice storms, can create a greater amount of emergency restoration service work, it often also can result in delays or other negative consequences for our manufacturing operations, which could negatively impact our financial results. Climate change may also affect the conditions in which we operate, and in some cases, expose us to potentially increased liabilities associated with those environmental conditions. Concerns about climate change could also result in potential new regulations, regulatory actions or requirements to fund energy efficiency activities, any of which could result in increased costs associated with our operations.

We strive to operate our facilities in a manner that protects the environment and the health and safety of our employees, customers and communities. We have implemented company-wide environmental, health and safety policies and practices, which includes monitoring, training and communication of these policies, formulation of relevant policies and standards.

## Quality Systems

We utilize a global strategy for quality management systems, policies and procedures, the basis of which is the ISO 9001:2015 standard, a worldwide recognized quality standard. We believe in the principles of this standard and reinforce the same by requiring mandatory compliance for all manufacturing, sales and service locations globally that are registered to the ISO 9001 standard. We also focus on specific plant certifications such as AS9100 (Aerospace), ISO13485:2016 (Medical Devices), ISO/TS 22163:2017 (Rail), TL9000 (Telecom), IATF16949:2018 (Automotive). We have also acquired our first Lithium-Ion product certification in accordance with ISO 26262 (Product Safety).

This strategy enables us to provide consistent quality products and services to meet our customers' needs.

## Human Capital Management

EnerSys is committed to developing a comprehensive, cohesive and positive employee experience. We consider talent acquisition, development, engagement and retention a key driver of our business success.

Our Board of Directors, through the Compensation Committee and the Nominating and Corporate Governance Committee, retains oversight of our human capital management process, including demographics, talent development, employee retention, material aspects of employee compensation, as well as diversity and inclusion, recruitment, and compensation efforts. The Nominating and Corporate Governance Committee reports on human capital matters at each regularly scheduled Board of Directors meeting. The most significant human capital measures, objectives and initiatives include the following:

**Equity, Inclusion and Belonging:** We strive to create a work environment that emphasizes respect, fairness and dignity and that does not tolerate discrimination or harassment. Individuals are evaluated based on merit, without discrimination, including discrimination based on race, color, religion, national origin, citizenship, marital status, gender (including pregnancy), gender identity, gender expression, sexual orientation, age, disability, veteran status, or other characteristics protected by law. We are committed to providing equal opportunities to every member of our workforce. In addition to following all applicable local laws and regulations, for fiscal year 2022, we have also formed an executive steering committee and funded additional staffing to further support these efforts.

**Health, Safety, and Wellness:** Our fundamental responsibility as an employer is to provide a safe and healthy workplace for all of our employees. This undertaking is explained further in our Safety and Health Policy. We equally realize that we must address environmental challenges, which include undertaking initiatives to promote greater environmental responsibility and encouraging the development of new technologies.

Our health and safety programs are designed around global standards with appropriate variations addressing the multiple jurisdictions and regulations, specific hazards and unique working environments of our manufacturing and production facilities, service centers and headquarter operations. Above all else, we are dedicated to the safety and well-being of our employees. As the COVID-19 pandemic unfolded in 2020, we quickly shifted to a remote work environment where possible, and provided employees with the resources necessary to effectively perform their job responsibilities. Additionally, we implemented changes to our manufacturing and distribution operations to include the use of personal protective equipment, intensive cleaning measures, and social distancing.

**Philanthropy and Volunteerism:** EnerSys is strongly committed to being an outstanding corporate citizen on a global basis in all of the countries and communities where we do business. This commitment is reflected in a strong ethic for charitable contributions, endorsement of community activities, encouraging employees to give freely of their own time to serve on boards or committees in many organizations and supporting educational programs in schools and colleges.

We created several committees to assist the company in its philanthropic endeavors that support all communities in which we work. Additionally, we regularly sponsor volunteer events and fundraising campaigns, to encourage our employees to give back to our communities, a commitment that we further support by offering employees paid time off for charitable volunteering.

**Training and Career Management:** Employees receive regular development feedback through quarterly 1:1 reviews with their manager, which encourages open dialogues to identify and cultivate skills and opportunities. We encourage our leaders to facilitate effective conversations and measure the effectiveness of these conversations by regularly surveying our employees. In addition to training and development opportunities, all new employees are required to participate in substantial training seminars to introduce them to the EnerSys business, our strategy, our culture and philosophies. We encourage all of our employees to engage in ongoing training, professional development and educational advancement programs. Through our

established EnerSys Academy, we provide employees worldwide with resources to expand their knowledge on a broad scope of relevant topics to promote their growth and development.

**Compensation and Benefits:** To attract, retain and recognize talent, we aim to ensure merit-based, compensation practices and strive to provide competitive compensation and benefit packages to our workforce. We provide employee wages that are consistent with employee positions, skill levels, experience, knowledge and geographic location. We align our executives' and eligible employees' annual bonus opportunity and long-term equity compensation with our stockholders' interests by linking realizable pay with company financial and stock performance. We completed an initial pay equity study in fiscal year 2021 to further evaluate our global pay practices across the organization. In response to the COVID-19 pandemic, we provided resources for well-being and work life flexibility for our employees to take care of themselves and their families.

### **Environmental, Social and Governance**

We have been integrating the fundamental sustainable values of environmental, social, and governance (“ESG”) into our everyday operations and future business strategies. Our sustainability team leads our significant efforts with respect to climate change management, product sustainability, operations, supply chain management, workforce health and safety, diversity, equity, inclusion, and community engagement.

We further believe that the power systems and energy management sector has a key role to play in finding innovative solutions to address global climate change. Our climate change policy underscores our goal to carry out all business activities in a sustainable manner. Our environmental policies and practices aim to protect, conserve, and sustain the world’s natural resources, as well as to protect our customers and the communities in which we live and operate. We also offer a complete battery recycling program to assist our customers in preserving our environment and comply with recycling and waste disposal regulations.

Relationships between EnerSys and our suppliers must be based on mutual respect and integrity. Our purchasing and quality teams strive to maintain the highest standards and principles of business ethics, courtesy and competence in dealings and transactions with suppliers. Our code of supplier conduct reflects our commitment to the values of honesty, integrity, respect, and responsibility. We expect our suppliers will share and embrace our values, as well as our commitment to regulatory compliance.

We have formed an ESG steering committee, which includes members of senior management and funded additional staffing to further support the ongoing development of our ESG program. In addition, we clarified that our Board of Directors oversees our programs related to matters of corporate responsibility and sustainability performance, including climate change, through the Nominating and Corporate Governance Committee. These actions demonstrate the strength and commitment to sustainability throughout the organization worldwide.

### **Available Information**

We file annual, quarterly and current reports, proxy statements and other information with the SEC. These filings are available to the public on the Internet at the SEC’s website at <http://www.sec.gov>.

Our Internet address is <http://www.enersys.com>. We make available free of charge on <http://www.enersys.com> our annual, quarterly and current reports, and amendments to those reports, as soon as reasonably practical after we electronically file such material with, or furnish it to, the SEC.

## ITEM 1A. RISK FACTORS

The following risks and uncertainties, as well as others described in this Annual Report on Form 10-K, could materially and adversely affect our business, our results of operations and financial condition and could cause actual results to differ materially from our expectations and projections. Stockholders are cautioned that these and other factors, including those beyond our control, may affect future performance and cause actual results to differ from those which may, from time to time, be anticipated. There may be additional risks that are not presently material or known. See “Cautionary Note Regarding Forward-Looking Statements.” All forward-looking statements made by us or on our behalf are qualified by the risks described below.

*We operate in an extremely competitive industry and are subject to pricing pressures.*

We compete with a number of major international manufacturers and distributors, as well as a large number of smaller, regional competitors. Due to excess capacity in some sectors of our industry and consolidation among industrial battery purchasers, we have been subjected to significant pricing pressures. We anticipate continued competitive pricing pressure as foreign producers are able to employ labor at significantly lower costs than producers in the U.S. and Western Europe, expand their export capacity and increase their marketing presence in our major Americas and European markets. Several of our competitors have strong technical, marketing, sales, manufacturing, distribution and other resources, as well as significant name recognition, established positions in the market and long-standing relationships with OEMs and other customers. In addition, certain of our competitors own lead smelting facilities which, during periods of lead cost increases or price volatility, may provide a competitive pricing advantage and reduce their exposure to volatile raw material costs. Our ability to maintain and improve our operating margins has depended, and continues to depend, on our ability to control and reduce our costs. We cannot assure you that we will be able to continue to control our operating expenses, to raise or maintain our prices or increase our unit volume, in order to maintain or improve our operating results.

*Our results of operations may be negatively impacted by public health epidemics or outbreaks, including the novel coronavirus (“COVID-19”).*

Public health epidemics or outbreaks could adversely impact our business. In December 2019, a novel strain of coronavirus (COVID-19) emerged in Wuhan, Hubei Province, China. While initially the outbreak was largely concentrated in China, infections have been reported globally and causing disruption to many economies. The extent to which the coronavirus continues to impact our operations will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the outbreak, new information which may emerge concerning the severity of the coronavirus and the actions to contain the coronavirus or treat its impact, as well as the distribution and effectiveness of COVID-19 vaccines, among others. In particular, the continued spread of the coronavirus globally could adversely impact our operations, including among others, our manufacturing and supply chain, sales and marketing and could have an adverse impact on our business and our financial results. Additionally, countries may impose prolonged quarantines and travel restrictions, which may significantly impact the ability of our employees to get to their places of work to produce products, may make it such that we are unable to obtain sufficient components or raw materials and component parts on a timely basis or at a cost-effective price or may significantly hamper our products from moving through the supply chain.

Our global operations expose us to risks associated with public health crises and epidemics/pandemics, such as COVID-19. We rely on our production facilities, as well as third-party suppliers and manufacturers, in the United States, Australia, Canada, France, Germany, Italy, the People's Republic of China (“PRC”), the United Kingdom and other countries significantly impacted by COVID-19. This outbreak has resulted in the extended shutdown of certain businesses in many of these countries, which has resulted and may continue to result in disruptions or delays to our supply chain. Any disruption in these businesses will likely impact our sales and operating results. COVID-19 has had, and may continue to have, an adverse impact on our operations, supply chains and distribution systems and increase our expenses, including as a result of impacts associated with preventive and precautionary measures that we, other businesses and governments are taking. Due to these impacts and measures, we have experienced, and may continue to experience, significant and unpredictable reductions in demand for certain of our products. The degree and duration of disruptions to business activity are unknown at this time. The rapid spread of a contagious illness such as a novel coronavirus, or fear of such an event, can have a material adverse effect on the demand for our products and services and therefore have a material adverse effect on our business and results of operations.

A widespread health crisis could adversely affect the global economy, resulting in an economic downturn that could impact demand for our products.

The future impact of the outbreak is highly uncertain and cannot be predicted and there is no assurance that the outbreak will not have a material adverse impact on our business, financial condition and results of operations. The extent of the impact will depend on future developments, including actions taken to contain COVID-19, and if these impacts persist or exacerbate over an extended period of time.

*The uncertainty in global economic conditions could negatively affect the Company's operating results.*

Our operating results are directly affected by the general global economic conditions of the industries in which our major customer groups operate. Our business segments are highly dependent on the economic and market conditions in each of the geographic areas in which we operate. Our products are heavily dependent on the end markets that we serve and our operating results will vary by location, depending on the economic environment in these markets. Sales of our motive power products, for example, depend significantly on demand for new electric industrial forklift trucks, which in turn depends on end-user demand for additional motive capacity in their distribution and manufacturing facilities. The uncertainty in global economic conditions varies by geographic location, and can result in substantial volatility in global credit markets, particularly in the United States, where we service the vast majority of our debt. These conditions affect our business by reducing prices that our customers may be able or willing to pay for our products or by reducing the demand for our products, which could in turn negatively impact our sales and earnings generation and result in a material adverse effect on our business, cash flow, results of operations and financial position.

*Government reviews, inquiries, investigations, and actions could harm our business or reputation.*

As we operate in various locations around the world, our operations in certain countries are subject to significant governmental scrutiny and may be adversely impacted by the results of such scrutiny. The regulatory environment with regard to our business is evolving, and officials often exercise broad discretion in deciding how to interpret and apply applicable regulations. From time to time, we receive formal and informal inquiries from various government regulatory authorities, as well as self-regulatory organizations, about our business and compliance with local laws, regulations or standards.

Any determination that our operations or activities, or the activities of our employees, are not in compliance with existing laws, regulations or standards could result in the imposition of substantial fines, interruptions of business, loss of supplier, vendor, customer or other third-party relationships, termination of necessary licenses and permits, or similar results, all of which could potentially harm our business and/or reputation. Even if an inquiry does not result in these types of determinations, regulatory authorities could cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business, and it potentially could create negative publicity which could harm our business and/or reputation.

*Reliance on third party relationships and derivative agreements could adversely affect the Company's business.*

We depend on third parties, including suppliers, distributors, lead toll operators, freight forwarders, insurance brokers, commodity brokers, major financial institutions and other third party service providers, for key aspects of our business, including the provision of derivative contracts to manage risks of (a) commodity cost volatility, (b) foreign currency exposures and (c) interest rate volatility. Failure of these third parties to meet their contractual, regulatory and other obligations to the Company, or the development of factors that materially disrupt our relationships with these third parties, could expose us to the risks of business disruption, higher commodity and interest costs, unfavorable foreign currency rates and higher expenses, which could have a material adverse effect on our business.

*Our operating results could be adversely affected by changes in the cost and availability of raw materials.*

Lead is our most significant raw material and is used along with significant amounts of plastics, steel, copper and other materials in our manufacturing processes. We estimate that raw material costs account for over half of our cost of goods sold. The costs of these raw materials, particularly lead, are volatile and beyond our control. Additionally, availability of the raw materials used to manufacture our products may be limited at times resulting in higher prices and/or the need to find alternative suppliers. Furthermore, the cost of raw materials may also be influenced by transportation costs. Volatile raw material costs can significantly affect our operating results and make period-to-period comparisons extremely difficult. We cannot assure you that we will be able to either hedge the costs or secure the availability of our raw material requirements at a reasonable level or, even with respect to our agreements that adjust pricing to a market-based index for lead, pass on to our customers the increased costs of our raw materials without affecting demand or that limited availability of materials will not impact our production capabilities. Our inability to raise the price of our products in response to increases in prices of raw materials or to maintain a proper supply of raw materials could have an adverse effect on our revenue, operating profit and net income.



*Increases in costs, disruption of supply or shortage of any of our battery components, such as electronic and mechanical parts, or raw materials used in the production of such parts could harm our business.*

From time to time, we may experience increases in the cost or a sustained interruption in the supply or shortage of our components. For example, a global shortage and component supply disruptions of electronic battery components is currently being reported, and the full impact to us is yet unknown. Other examples of shortages and component supply disruptions could include the supply of electronic components and raw materials (such as resins and other raw metal materials) that go into the production of our components. Any such cost increase or supply interruption could materially and negatively impact our business, prospects, financial condition and operating results. The prices for our components fluctuate depending on market conditions and global demand and could adversely affect our business, prospects, financial condition and operating results. For instance, we are exposed to multiple risks relating to price fluctuations for battery cells. These risks include, but are not limited to:

- supply shortages caused by the inability or unwillingness of our suppliers and their competitors to build or operate component production facilities to supply the numbers of battery components required to support the rapid growth of the electric vehicle industry and other industries in which we operate as demand for such components increases;
- disruption in the supply of electronic circuits due to quality issues or insufficient raw materials;
- a decrease in the number of manufacturers of battery components; and
- an increase in the cost of raw materials.

We are dependent on the continued supply of battery components for our products. We have, to date, fully qualified only a very limited number of such suppliers and have limited flexibility in changing suppliers, though we are actively engaged in activities to qualify additional suppliers. Any disruption in the supply of battery components could temporarily disrupt production of our products until a different supplier is fully qualified.

The cost of our battery products depends in part upon the prices and availability of raw materials such as lithium, nickel, cobalt and/or other metals. The prices for these materials fluctuate and their available supply may be unstable, depending on market conditions and global demand for these materials, including as a result of increased global production of electric vehicles and energy storage products. Furthermore, fluctuations or shortages in petroleum and other economic conditions may cause us to experience significant increases in freight charges. Any reduced availability of these raw materials or substantial increases in the prices for such materials may increase the cost of our components and consequently, the cost of our products. There can be no assurance that we will be able to recoup increasing costs of our components by increasing prices, which in turn could damage our brand, business, prospects, financial condition and operating results.

*Our operations expose us to litigation, tax, environmental and other legal compliance risks.*

We are subject to a variety of litigation, tax, environmental, health and safety and other legal compliance risks. These risks include, among other things, possible liability relating to product liability matters, personal injuries, intellectual property rights, contract-related claims, government contracts, taxes, health and safety liabilities, environmental matters and compliance with U.S. and foreign laws, competition laws and laws governing improper business practices. We or one of our business units could be charged with wrongdoing as a result of such matters. If convicted or found liable, we could be subject to significant fines, penalties, repayments or other damages (in certain cases, treble damages). As a global business, we are subject to complex laws and regulations in the U.S. and other countries in which we operate. Those laws and regulations may be interpreted in different ways. They may also change from time to time, as may related interpretations and other guidance. Changes in laws or regulations could result in higher expenses and payments, and uncertainty relating to laws or regulations may also affect how we conduct our operations and structure our investments and could limit our ability to enforce our rights.

In the area of taxes, changes in tax laws and regulations, as well as changes in related interpretations and other tax guidance could materially impact our tax receivables and liabilities and our deferred tax assets and tax liabilities. Additionally, in the ordinary course of business, we are subject to examinations by various authorities, including tax authorities. In addition to ongoing examinations, there could be additional investigations launched in the future by governmental authorities in various jurisdictions and existing investigations could be expanded. The global and diverse nature of our operations means that these risks will continue to exist and additional legal proceedings and contingencies will arise from time to time. Our results may be affected by the outcome of legal proceedings and other contingencies that cannot be predicted with certainty.

In the manufacture of our products throughout the world, we process, store, dispose of and otherwise use large amounts of hazardous materials, especially lead and acid. As a result, we are subject to extensive and changing environmental, health and safety laws and regulations governing, among other things: the generation, handling, storage, use, transportation and disposal of



hazardous materials; remediation of polluted ground or water; emissions or discharges of hazardous materials into the ground, air or water; and the health and safety of our employees. In light of the efforts to slow the spread of COVID-19 by many governments, we have also become subject to a number of restrictions on the operation of our business. Compliance with these laws and regulations results in ongoing costs. Failure to comply with these laws or regulations, or to obtain or comply with required environmental permits, could result in fines, criminal charges or other sanctions by regulators. From time to time we have had instances of alleged or actual noncompliance that have resulted in the imposition of fines, penalties and required corrective actions. Our ongoing compliance with environmental, health and safety laws, regulations and permits could require us to incur significant expenses, limit our ability to modify or expand our facilities or continue production and require us to install additional pollution control equipment and make other capital improvements. In addition, private parties, including current or former employees, could bring personal injury or other claims against us due to the presence of, or exposure to, hazardous substances used, stored or disposed of by us or contained in our products.

Certain environmental laws assess liability on owners or operators of real property for the cost of investigation, removal or remediation of hazardous substances at their current or former properties or at properties at which they have disposed of hazardous substances. These laws may also assess costs to repair damage to natural resources. We may be responsible for remediating damage to our properties caused by former owners. Soil and groundwater contamination has occurred at some of our current and former properties and may occur or be discovered at other properties in the future. We are currently investigating and monitoring soil and groundwater contamination at several of our properties, in most cases as required by regulatory permitting processes. We may be required to conduct these operations at other properties in the future. In addition, we have been, and in the future, may be liable to contribute to the cleanup of locations owned or operated by other persons to which we or our predecessor companies have sent wastes for disposal, pursuant to federal and other environmental laws. Under these laws, the owner or operator of contaminated properties and companies that generated, disposed of or arranged for the disposal of wastes sent to a contaminated disposal facility can be held jointly and severally liable for the investigation and cleanup of such properties, regardless of fault. Additionally, our products may become subject to fees and taxes in order to fund cleanup of such properties, including those operated or used by other lead-battery industry participants.

Changes in environmental and climate laws or regulations could lead to new or additional investment in production designs and could increase environmental compliance expenditures. For example, the European Union has enacted greenhouse gas emissions legislation, and continues to expand the scope of such legislation. The United States Environmental Protection Agency has promulgated regulations applicable to projects involving greenhouse gas emissions above a certain threshold, and the United States and certain states within the United States have enacted, or are considering, limitations on greenhouse gas emissions.

Changes in climate change concerns, or in the regulation of such concerns, including greenhouse gas emissions, could subject us to additional costs and restrictions, including increased energy and raw materials costs. Additionally, we cannot assure you that we have been or at all times will be in compliance with environmental laws and regulations or that we will not be required to expend significant funds to comply with, or discharge liabilities arising under, environmental laws, regulations and permits, or that we will not be exposed to material environmental, health or safety litigation.

Also, the U.S. Foreign Corrupt Practices Act (“FCPA”) and similar worldwide anti-bribery laws in non-U.S. jurisdictions generally prohibit companies and their intermediaries from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business. The FCPA applies to companies, individual directors, officers, employees and agents. Under the FCPA, U.S. companies may be held liable for actions taken by strategic or local partners or representatives. The FCPA also imposes accounting standards and requirements on publicly traded U.S. corporations and their foreign affiliates, which are intended to prevent the diversion of corporate funds to the payment of bribes and other improper payments. Certain of our customer relationships outside of the U.S. are with governmental entities and are therefore subject to such anti-bribery laws. Our policies mandate compliance with these anti-bribery laws. Despite meaningful measures that we undertake to facilitate lawful conduct, which include training and internal control policies, these measures may not always prevent reckless or criminal acts by our employees or agents. As a result, we could be subject to criminal and civil penalties, disgorgement, further changes or enhancements to our procedures, policies and controls, personnel changes or other remedial actions. Violations of these laws, or allegations of such violations, could disrupt our operations, involve significant management distraction and result in a material adverse effect on our competitive position, results of operations, cash flows or financial condition.

There is also a regulation to improve the transparency and accountability concerning the supply of minerals coming from the conflict zones in and around the Democratic Republic of Congo. U.S. legislation included disclosure requirements regarding the use of conflict minerals mined from the Democratic Republic of Congo and adjoining countries and procedures regarding a manufacturer’s efforts to prevent the sourcing of such conflict minerals. In addition, the European Union adopted an EU-wide conflict minerals rule under which most EU importers of tin, tungsten, tantalum, gold and their ores will have to conduct due

diligence to ensure the minerals do not originate from conflict zones and do not fund armed conflicts. Large manufacturers also will have to disclose how they plan to monitor their sources to comply with the rules. Compliance with the regulation began January 1, 2021. The implementation of these requirements could affect the sourcing and availability of minerals used in the manufacture of our products. As a result, there may only be a limited pool of suppliers who provide conflict-free metals, and we cannot assure you that we will be able to obtain products in sufficient quantities or at competitive prices. Future regulations may become more stringent or costly and our compliance costs and potential liabilities could increase, which may harm our business.

*We are exposed to exchange rate risks, and our net earnings and financial condition may suffer due to currency translations.*

We invoice our foreign sales and service transactions in local and foreign currencies and translate net sales using actual exchange rates during the period. We translate our non-U.S. assets and liabilities into U.S. dollars using current exchange rates as of the balance sheet dates. Because a significant portion of our revenues and expenses are denominated in foreign currencies, changes in exchange rates between the U.S. dollar and foreign currencies, primarily the euro, British pound, Polish zloty, Chinese renminbi, Mexican peso and Swiss franc may adversely affect our revenue, cost of goods sold and operating margins. For example, foreign currency depreciation against the U.S. dollar will reduce the value of our foreign revenues and operating earnings as well as reduce our net investment in foreign subsidiaries. Approximately 40% of net sales were generated outside of the United States in fiscal 2021.

Most of the risk of fluctuating foreign currencies is in our European operations, which comprised approximately one-third of our net sales during the last three fiscal years. The euro is the dominant currency in our EMEA operations. In the event that one or more European countries were to replace the euro with another currency, our sales into such countries, or into Europe generally, would likely be adversely affected until stable exchange rates are established.

The translation impact from currency fluctuations on net sales and operating earnings in our Americas and Asia operations are not as significant as our European operations, as a substantial majority of these net sales and operating earnings are in U.S. dollars or foreign currencies that have been closely correlated to the U.S. dollar.

If foreign currencies depreciate against the U.S. dollar, it would make it more expensive for our non-U.S. subsidiaries to purchase certain of our raw material commodities that are priced globally in U.S. dollars, while the related revenue will decrease when translated to U.S. dollars. Significant movements in foreign exchange rates can have a material impact on our results of operations and financial condition. We periodically engage in hedging of our foreign currency exposures, but cannot assure you that we can successfully hedge all of our foreign currency exposures or do so at a reasonable cost.

We quantify and monitor our global foreign currency exposures. Our largest foreign currency exposure is from the purchase and conversion of U.S. dollar-based lead costs into local currencies in Europe. Additionally, we have currency exposures from intercompany financing and intercompany and third party trade transactions. On a selective basis, we enter into foreign currency forward contracts and purchase option contracts to reduce the impact from the volatility of currency movements; however, we cannot be certain that foreign currency fluctuations will not impact our operations in the future.

If we are unable to effectively hedge against currency fluctuations, our operating costs and revenues in our non-U.S. operations may be adversely affected, which would have an adverse effect on our operating profit and net income.

*We have experienced and may continue to experience, difficulties implementing our new global enterprise resource planning system.*

We are engaged in a multi-year implementation of a new global enterprise resource planning system ("ERP"). The ERP is designed to efficiently maintain our financial records and provide information important to the operation of our business to our management team. The ERP will continue to require significant investment of human and financial resources. In implementing the ERP, we have experienced significant production and shipping delays, increased costs and other difficulties. Any significant disruption or deficiency in the design and implementation of the ERP will adversely affect our ability to process orders, ship product, send invoices and track payments, fulfill contractual obligations or otherwise operate our business. While we have invested significant resources in planning, project management and training, additional and significant implementation issues may arise. In addition, our efforts to centralize various business processes and functions within our organization in connection with our ERP implementation may disrupt our operations and negatively impact our business, results of operations and financial condition.

*The failure to successfully implement efficiency and cost reduction initiatives, including restructuring activities, could materially adversely affect our business and results of operations, and we may not realize some or all of the anticipated benefits of those initiatives.*

From time to time we have implemented efficiency and cost reduction initiatives intended to improve our profitability and to respond to changes impacting our business and industry. These initiatives include relocating manufacturing to lower cost regions, working with our material suppliers to lower costs, product design and manufacturing improvements, personnel reductions and voluntary retirement programs, and strategically planning capital expenditures and development activities. In the past we have recorded net restructuring charges to cover costs associated with our cost reduction initiatives involving restructuring. These costs have been primarily composed of employee separation costs, including severance payments, and asset impairments or losses from disposal. We also undertake restructuring activities and programs to improve our cost structure in connection with our business acquisitions, which can result in significant charges, including charges for severance payments to terminated employees and asset impairment charges.

We cannot assure you that our efficiency and cost reduction initiatives will be successfully or timely implemented, or that they will materially and positively impact our profitability. Because our initiatives involve changes to many aspects of our business, the associated cost reductions could adversely impact productivity and sales to an extent we have not anticipated. In addition, our ability to complete our efficiency and cost-savings initiatives and achieve the anticipated benefits within the expected time frame is subject to estimates and assumptions and may vary materially from our expectations, including as a result of factors that are beyond our control. Furthermore, our efforts to improve the efficiencies of our business operations and improve growth may not be successful. Even if we fully execute and implement these activities and they generate the anticipated cost savings, there may be other unforeseeable and unintended consequences that could materially adversely impact our profitability and business, including unintended employee attrition or harm to our competitive position. To the extent that we do not achieve the profitability enhancement or other benefits of our efficiency and cost reduction initiatives that we anticipate, our results of operations may be materially adversely affected.

*Our international operations may be adversely affected by actions taken by foreign governments or other forces or events over which we may have no control.*

We currently have significant manufacturing and/or distribution facilities outside of the United States, in Argentina, Australia, Belgium, Brazil, Canada, the Czech Republic, France, Germany, India, Italy, Malaysia, Mexico, the PRC, Poland, Spain, Switzerland and the United Kingdom. Our global operations are dependent upon products manufactured, purchased and sold in the U.S. and internationally, including in countries with political and economic instability or uncertainty. This includes, for example, the uncertainty related to the United Kingdom's withdrawal from the European Union (commonly known as "Brexit") and the adoption and expansion of trade restrictions, including the occurrence or escalation of a "trade war," or other governmental action related to tariffs or trade agreements or policies among the governments of the United States, the PRC and other countries. On January 31, 2020, the United Kingdom left the European Union pursuant to a withdrawal agreement which provides for, among other things, a transition period ending on December 31, 2020 during which the United Kingdom will remain (i) subject to all European Union laws and all international agreements that the European Union has signed and (ii) in the European Union Customs Union and the European Union Single Market.

Some countries have greater political and economic volatility and greater vulnerability to infrastructure and labor disruptions than others. Our business could be negatively impacted by adverse fluctuations in freight costs, limitations on shipping and receiving capacity, and other disruptions in the transportation and shipping infrastructure at important geographic points of exit and entry for our products. Operating in different regions and countries exposes us to a number of risks, including:

- multiple and potentially conflicting laws, regulations and policies that are subject to change;
- imposition of currency restrictions, restrictions on repatriation of earnings or other restraints imposition of burdensome import duties, tariffs or quotas;
- changes in trade agreements;
- imposition of new or additional trade and economic sanctions laws imposed by the U.S. or foreign governments;
- war or terrorist acts; and
- political and economic instability or civil unrest that may severely disrupt economic activity in affected countries.

The occurrence of one or more of these events may negatively impact our business, results of operations and financial condition.

*Our failure to introduce new products and product enhancements and broad market acceptance of new technologies introduced by our competitors could adversely affect our business.*

Many new energy storage technologies have been introduced over the past several years. For certain important and growing markets, such as aerospace and defense, lithium-based battery technologies have a large and growing market share. Our ability to achieve significant and sustained penetration of key developing markets, including aerospace and defense, will depend upon our success in developing or acquiring these and other technologies, either independently, through joint ventures or through acquisitions. If we fail to develop or acquire, and manufacture and sell, products that satisfy our customers' demands, or we fail to respond effectively to new product announcements by our competitors by quickly introducing competitive products, then market acceptance of our products could be reduced and our business could be adversely affected. We cannot assure you that our portfolio of primarily lead-acid products will remain competitive with products based on new technologies.

*We may not be able to adequately protect our proprietary intellectual property and technology.*

We rely on a combination of copyright, trademark, patent and trade secret laws, non-disclosure agreements and other confidentiality procedures and contractual provisions to establish, protect and maintain our proprietary intellectual property and technology and other confidential information. Certain of these technologies, especially TPPL technology, are important to our business and are not protected by patents. Despite our efforts to protect our proprietary intellectual property and technology and other confidential information, unauthorized parties may attempt to copy or otherwise obtain and use our intellectual property and proprietary technologies. If we are unable to protect our intellectual property and technology, we may lose any technological advantage we currently enjoy and may be required to take an impairment charge with respect to the carrying value of such intellectual property or goodwill established in connection with the acquisition thereof. In either case, our operating results and net income may be adversely affected.

*Relocation of our customers' operations could adversely affect our business.*

The trend by a number of our North American and Western European customers to move manufacturing operations and expand their businesses in faster growing and low labor-cost markets may have an adverse impact on our business. As our customers in traditional manufacturing-based industries seek to move their manufacturing operations to these locations, there is a risk that these customers will source their energy storage products from competitors located in those territories and will cease or reduce the purchase of products from our manufacturing plants. We cannot assure you that we will be able to compete effectively with manufacturing operations of energy storage products in those territories, whether by establishing or expanding our manufacturing operations in those lower-cost territories or acquiring existing manufacturers.

*Quality problems with our products could harm our reputation and erode our competitive position.*

The success of our business will depend upon the quality of our products and our relationships with customers. In the event that our products fail to meet our customers' standards, our reputation could be harmed, which would adversely affect our marketing and sales efforts. We cannot assure you that our customers will not experience quality problems with our products.

*We offer our products under a variety of brand names, the protection of which is important to our reputation for quality in the consumer marketplace.*

We rely upon a combination of trademark, licensing and contractual covenants to establish and protect the brand names of our products. We have registered many of our trademarks in the U.S. Patent and Trademark Office and in other countries. In many market segments, our reputation is closely related to our brand names. Monitoring unauthorized use of our brand names is difficult, and we cannot be certain that the steps we have taken will prevent their unauthorized use, particularly in foreign countries where the laws may not protect our proprietary rights as fully as in the U.S. We cannot assure you that our brand names will not be misappropriated or utilized without our consent or that such actions will not have a material adverse effect on our reputation and on our results of operations.

*We may fail to implement our plans to make acquisitions or successfully integrate them into our operations.*

As part of our business strategy, we have grown, and plan to continue growing, by acquiring other product lines, technologies or facilities that complement or expand our existing business, such as the acquisition of NorthStar during fiscal 2020. There is significant competition for acquisition targets in the stored energy industry. We may not be able to identify suitable acquisition candidates or negotiate attractive terms. In addition, we may have difficulty obtaining the financing necessary to complete transactions we pursue. In that regard, our credit facilities restrict the amount of additional indebtedness that we may incur to finance acquisitions and place other restrictions on our ability to make acquisitions. Exceeding any of these restrictions would require the consent of our lenders. Even if acquisition candidates are identified, we cannot be sure that our diligence will

surface all material issues that may be present, including as they relate to inside NorthStar or its business, or that it would be possible to uncover all material issues through a customary amount of due diligence, or that factors outside of such acquisition candidate, NorthStar and its business and outside of their respective control will not arise later. If any such material issues arise, they may materially and adversely impact the on-going business of EnerSys and our stockholders' investment. We may be unable to successfully integrate any assets, liabilities, customers, systems and management personnel we acquire into our operations and we may not be able to realize related revenue synergies and cost savings within expected time frames. For example, the ability of EnerSys to realize the anticipated benefits of the NorthStar acquisition will depend, to a large extent, on our ability to combine NorthStar's and our businesses in a manner that facilitates growth opportunities and realizes anticipated synergies, and achieves the projected stand-alone cost savings and revenue growth trends identified by each company. It is expected that we will benefit from operational and general and administrative cost synergies resulting from the warehouse and transportation integration, direct procurement savings on overlapping materials, purchasing scale on indirect spend categories and optimization of duplicate positions and processes. We may also enjoy revenue synergies, driven by a strong portfolio of brands with exposure to higher growth segments and the ability to leverage our collective distribution strength. In order to achieve these expected benefits, we must successfully combine the businesses of NorthStar and EnerSys in a manner that permits these cost savings and synergies to be realized and must achieve the anticipated savings and synergies without adversely affecting current revenues and investments in future growth. If we experience difficulties with the integration process or are not able to successfully achieve these objectives, the anticipated benefits of the NorthStar acquisition may not be realized fully or at all or may take longer to realize than expected. Our failure to execute our acquisition strategy could have a material adverse effect on our business. We cannot assure you that our acquisition strategy will be successful or that we will be able to successfully integrate acquisitions we do make.

*Any acquisitions that we complete may dilute stockholder ownership interests in EnerSys, may have adverse effects on our financial condition and results of operations and may cause unanticipated liabilities.*

Future acquisitions may involve the issuance of our equity securities as payment, in part or in full, for the businesses or assets acquired. Any future issuances of equity securities would dilute stockholder ownership interests. In addition, future acquisitions might not increase, and may even decrease, our earnings or earnings per share and the benefits derived by us from an acquisition might not outweigh or might not exceed the dilutive effect of the acquisition. We also may incur additional debt or suffer adverse tax and accounting consequences in connection with any future acquisitions.

*If our electronic data is compromised, our business could be significantly harmed.*

We and our business partners maintain significant amounts of data electronically in locations around the world. This data relates to all aspects of our business, including current and future products and services under development, and also contains certain customer, supplier, partner and employee data. We maintain systems and processes designed to protect this data, but notwithstanding such protective measures, there is a risk of intrusion, cyberattacks, tampering, theft, misplaced or lost data, programming and/or human errors that could compromise the integrity and privacy of this data, improper use of our systems, software solutions or networks, unauthorized access, use, disclosure, modification or destruction of information, defective products, production downtimes and operational disruptions, which in turn could adversely affect our reputation, competitiveness, and results of operations. In addition, we provide confidential and proprietary information to our third-party business partners in certain cases where doing so is necessary to conduct our business. While we obtain assurances from those parties that they have systems and processes in place to protect such data, and where applicable, that they will take steps to assure the protections of such data by third parties, nonetheless those partners may also be subject to data intrusion or otherwise compromise the protection of such data. Any compromise of the confidential data of our customers, suppliers, partners, employees or ourselves, or failure to prevent or mitigate the loss of or damage to this data through breach of our information technology systems or other means could substantially disrupt our operations, harm our customers, employees and other business partners, damage our reputation, violate applicable laws and regulations, subject us to potentially significant costs and liabilities and result in a loss of business that could be material.

We operate a number of critical computer systems throughout our business that can fail for a variety of reasons. If such a failure were to occur, we may not be able to sufficiently recover from the failure in time to avoid the loss of data or any adverse impact on certain of our operations that are dependent on such systems. This could result in lost sales and the inefficient operation of our facilities for the duration of such a failure.

*We may not be able to maintain adequate credit facilities.*

Our ability to continue our ongoing business operations and fund future growth depends on our ability to maintain adequate credit facilities and to comply with the financial and other covenants in such credit facilities or to secure alternative sources of

financing. However, such credit facilities or alternate financing may not be available or, if available, may not be on terms favorable to us. If we do not have adequate access to credit, we may be unable to refinance our existing borrowings and credit facilities when they mature and to fund future acquisitions, and this may reduce our flexibility in responding to changing industry conditions.

*Our indebtedness could adversely affect our financial condition and results of operations.*

As of March 31, 2021, we had \$1,004 million of total consolidated debt (including finance leases). This level of debt could:

- increase our vulnerability to adverse general economic and industry conditions, including interest rate fluctuations, because a portion of our borrowings bear, and will continue to bear, interest at floating rates;
- require us to dedicate a substantial portion of our cash flow from operations to debt service payments, which would reduce the availability of our cash to fund working capital, capital expenditures or other general corporate purposes, including acquisitions;
- limit our flexibility in planning for, or reacting to, changes in our business and industry;
- restrict our ability to introduce new products or new technologies or exploit business opportunities;
- place us at a disadvantage compared with competitors that have proportionately less debt;
- limit our ability to borrow additional funds in the future, if we need them, due to financial and restrictive covenants in our debt agreements; and
- have a material adverse effect on us if we fail to comply with the financial and restrictive covenants in our debt agreements.

*There can be no assurance that we will continue to declare cash dividends at all or in any particular amounts.*

During fiscal 2021, we announced the declaration of a quarterly cash dividend of \$0.175 per share of common stock for quarters ended July 5, 2020, October 4, 2020, January 3, 2021 and March 31, 2021. On May 20, 2021, we announced a fiscal 2022 first quarter cash dividend of \$0.175 per share of common stock. Future payment of a regular quarterly cash dividend on our common shares will be subject to, among other things, our results of operations, cash balances and future cash requirements, financial condition, statutory requirements of Delaware law, compliance with the terms of existing and future indebtedness and credit facilities, and other factors that the Board of Directors may deem relevant. Our dividend payments may change from time to time, and we cannot provide assurance that we will continue to declare dividends at all or in any particular amounts. A reduction in or elimination of our dividend payments could have a negative effect on our share price.

*We cannot guarantee that our share repurchase programs will be fully consummated or that they will enhance long-term stockholder value. Share repurchases could also increase the volatility of the trading price of our stock and could diminish our cash reserves.*

Our Board of Directors has authorized two share repurchase programs, one authorizing the repurchase of up to \$100 million of our common stock, of which authority, as of March 31, 2021, approximately \$59 million remains available and another authorizing the repurchase of up to such number of shares as shall equal the dilutive effects of any equity-based award granted during such fiscal year and the number of shares exercised through stock option awards during such fiscal year. Although our board of directors has authorized these share repurchase programs, the programs do not obligate us to repurchase any specific dollar amount or to acquire any specific number of shares. We cannot guarantee that the programs will be fully consummated or that they will enhance long-term stockholder value. The programs could affect the trading price of our stock and increase volatility, and any announcement of a termination of these programs may result in a decrease in the trading price of our stock. In addition, these programs could diminish our cash reserves.

*We depend on our senior management team and other key employees, and significant attrition within our management team or unsuccessful succession planning could adversely affect our business.*

Our success depends in part on our ability to attract, retain and motivate senior management and other key employees. Achieving this objective may be difficult due to many factors, including fluctuations in global economic and industry conditions, competitors' hiring practices, cost reduction activities, and the effectiveness of our compensation programs. Competition for qualified personnel can be very intense. We must continue to recruit, retain and motivate senior management and other key employees sufficient to maintain our current business and support our future projects. We are vulnerable to attrition among our current senior management team and other key employees. A loss of any such personnel, or the inability to recruit and retain qualified personnel in the future, could have an adverse effect on our business, financial condition and results



of operations. In addition, if we are unsuccessful in our succession planning efforts, the continuity of our business and results of operations could be adversely affected.

*We may have exposure to greater than anticipated tax liabilities.*

Our income tax obligations are based in part on our corporate operating structure and intercompany arrangements, including the manner in which we operate our business, develop, value, manage, protect, and use our intellectual property and the valuations of our intercompany transactions. We may also be subject to additional indirect or non-income taxes. The tax laws applicable to our business, including the laws of the United States and other jurisdictions, are subject to interpretation and certain jurisdictions are aggressively interpreting their laws in new ways in an effort to raise additional tax revenue from multi-national companies, like us. The taxing authorities of the jurisdictions in which we operate may challenge our methodologies for valuing developed technology or intercompany arrangements, which could increase our worldwide effective tax rate and harm our financial position, results of operations, and cash flows. Although we believe that our provision for income taxes is reasonable, the ultimate tax outcome may differ from the amounts recorded in our financial statements and may materially affect our financial results in the period or periods for which such determination is made. In addition, our future income tax rates could be adversely affected by earnings being lower than anticipated in jurisdictions that have lower statutory tax rates and higher than anticipated in jurisdictions that have higher statutory tax rates, by changes in the valuation of our deferred tax assets and liabilities, or by changes in tax laws, regulations, or accounting principles.

*Changes in tax laws or tax rulings could materially affect our financial position, results of operations, and cash flows.*

The income and non-income tax regimes we are subject to or operate under are unsettled and may be subject to significant change. Changes in tax laws or tax rulings, or changes in interpretations of existing laws, could materially affect our financial position, results of operations, and cash flows. For example, changes to U.S. tax laws enacted in December 2017 had a significant impact on our tax obligations and effective tax rate beginning 2018. In fiscal year 2020, Switzerland enacted the Federal Act on Tax Reform and AHV (Old-Age and Survivors Insurance) Financing (TRAF) which became effective on January 1, 2020. These enactments and future possible guidance from the applicable taxing authorities may have a material impact on the Company's operating results. In addition, many countries in Europe, as well as a number of other countries and organizations, have recently proposed or recommended changes to existing tax laws or have enacted new laws that could significantly increase our tax obligations in many countries where we do business or require us to change the manner in which we operate our business. The Company closely monitors these proposals as they arise in the countries where it operates. Changes to the statutory tax rate may occur at any time, and any related expense or benefit recorded may be material to the fiscal quarter and year in which the law change is enacted. The European Commission has conducted investigations in multiple countries focusing on whether local country tax rulings or tax legislation provides preferential tax treatment that violates European Union state aid rules and concluded that certain countries, have provided illegal state aid in certain cases. These investigations may result in changes to the tax treatment of our foreign operations. Due to the large and expanding scale of our international business activities, many of these types of changes to the taxation of our activities could increase our worldwide effective tax rate and harm our financial position, results of operations, and cash flows.

In connection with the Organization for Economic Cooperation and Development Base Erosion and Profit Shifting (BEPS) project, companies are required to disclose more information to tax authorities on operations around the world, which may lead to greater audit scrutiny of profits earned in other countries. The Company regularly assesses the likely outcomes of its tax audits and disputes to determine the appropriateness of its tax reserves. However, any tax authority could take a position on tax treatment that is contrary to the Company's expectations, which could result in tax liabilities in excess of reserves.

*Our software and related services are highly technical and may contain undetected software bugs or vulnerabilities, which could manifest in ways that could seriously harm our reputation and our business.*

The software and related services that we offer, including those as a result of the Alpha acquisition, are highly technical and complex. Our services or any other products that we may introduce in the future may contain undetected software bugs, hardware errors, and other vulnerabilities. These bugs and errors can manifest in any number of ways in our products, including through diminished performance, security vulnerabilities, malfunctions, or even permanently disabled products. We have a practice of regularly updating our products and some errors in our products may be discovered only after a product has been used by users, and may in some cases be detected only under certain circumstances or after extended use. Any errors, bugs or other vulnerabilities discovered in our code or backend after release could damage our reputation, drive away users, allow third parties to manipulate or exploit our software, lower revenue and expose us to claims for damages, any of which could seriously

harm our business. Additionally, errors, bugs, or other vulnerabilities may, either directly or if exploited by third parties, affect our ability to make accurate royalty payments.

We also could face claims for product liability, tort or breach of warranty. Defending a lawsuit, regardless of its merit, is costly and may divert management's attention and seriously harm our reputation and our business. In addition, if our liability insurance coverage proves inadequate or future coverage is unavailable on acceptable terms or at all, our business could be seriously harmed.

*A failure to keep pace with developments in technology could impair our operations or competitive position.*

Our business continues to demand the use of sophisticated systems and technology. These systems and technologies must be refined, updated and replaced with more advanced systems on a regular basis in order for us to meet our customers' demands and expectations. If we are unable to do so on a timely basis or within reasonable cost parameters, or if we are unable to appropriately and timely train our employees to operate any of these new systems, our business could suffer. We also may not achieve the benefits that we anticipate from any new system or technology, such as fuel abatement technologies, and a failure to do so could result in higher than anticipated costs or could impair our operating results.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.



**ITEM 2.            *PROPERTIES***

The Company's worldwide headquarters is located in Reading, Pennsylvania, U.S.A. Headquarters for our Americas and EMEA operations are located in Reading, Pennsylvania, U.S.A., and Zug, Switzerland, respectively. The Company owns approximately 80% of its manufacturing facilities and distribution centers worldwide. The following sets forth the Company's principal owned or leased facilities:

Americas: Sylmar, California; Longmont, Colorado; Tampa, Florida; Suwanee, Georgia; Hays, Kansas; Richmond, Kentucky; Springfield and Warrensburg, Missouri; Horsham, Pennsylvania; Sumter, South Carolina; Ooltewah, Tennessee; Spokane and Bellingham, Washington in the United States. Burnaby, Canada; Monterrey and Tijuana, Mexico; Buenos Aires, Argentina and São Paulo, Brazil.

EMEA: Hostomice, Czech Republic; Arras, France; Hagen, Germany; Bielsko-Biala, Poland; Stockholm, Sweden; Newport and Culham, United Kingdom.

Asia: Chongqing and Yangzhou, the PRC.

We consider our plants and facilities, whether owned or leased, to be in satisfactory condition and adequate to meet the needs of our current businesses and projected growth. Information as to material lease commitments is included in Note 3 - Leases to the Consolidated Financial Statements.

**ITEM 3.            *LEGAL PROCEEDINGS***

From time to time, we are involved in litigation incidental to the conduct of our business. See Litigation and Other Legal Matters in Note 19 - Commitments, Contingencies and Litigation to the Consolidated Financial Statements, which is incorporated herein by reference.

**ITEM 4.            *MINE SAFETY DISCLOSURES***

Not applicable.

## PART II

### ITEM 5. *MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES*

#### **Market Information**

The Company's common stock has been listed on the New York Stock Exchange under the symbol "ENS" since it began trading on July 30, 2004. Prior to that time, there had been no public market for our common stock.

#### **Holders of Record**

As of May 21, 2021, there were approximately 497 record holders of common stock of the Company. Because many of these shares are held by brokers and other institutions on behalf of stockholders, the Company is unable to estimate the total number of stockholders represented by these record holders.

#### **Recent Sales of Unregistered Securities**

During the fourth quarter of fiscal 2021, we did not issue any unregistered securities.

#### **Dividends**

During fiscal 2021, the Company's quarterly dividend was \$0.175 per share. The Company declared aggregate regular cash dividends of \$0.70 per share in each of the years ended March 31, 2021, March 31, 2020 and 2019.

The Company anticipates that it will continue to pay quarterly cash dividends in the future. However, the payment and amount of future dividends remain within the discretion of the Board and will depend upon the Company's future earnings, financial condition, capital requirements, restrictions under existing or future credit facilities or debt and other factors. See "There can be no assurance that we will continue to declare cash dividends at all or in any particular amounts." Under Item 1A. Risk Factors for additional information.

**Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

The following table summarizes the number of shares of common stock we purchased from participants in our equity incentive plans, as well as repurchases of common stock authorized by the Board of Directors. As provided by the Company's equity incentive plans, (a) vested options outstanding may be exercised through surrender to the Company of option shares or vested options outstanding under the Company's equity incentive plans to satisfy the applicable aggregate exercise price (and any withholding tax) required to be paid upon such exercise and (b) the withholding tax requirements related to the vesting and settlement of equity awards may be satisfied by the surrender of shares of the Company's common stock.

**Purchases of Equity Securities**

<b>Period</b>	<b>(a) Total number of shares (or units) purchased</b>	<b>(b) Average price paid per share (or unit)</b>	<b>(c) Total number of shares (or units) purchased as part of publicly announced plans or programs</b>	<b>(d) Maximum number (or approximate dollar value) of shares (or units) that may be purchased under the plans or programs<sup>(1)(2)</sup></b>
January 4 - January 31, 2021	15,568	\$ 92.33	—	\$ 9,002,889
February 1 - February 28, 2021	5,595	94.08	—	9,002,889
March 1 - March 31, 2021	64,174	101.92	—	9,002,889
<b>Total</b>	<b>85,337</b>	<b>\$ 99.66</b>	<b>—</b>	

<sup>(1)</sup> The Company's Board of Directors has authorized the Company to repurchase up to such number of shares as shall equal the dilutive effects of any equity based award granted during such fiscal year under the 2017 Equity Incentive Plan and the number of shares exercised through stock option awards during such fiscal year.

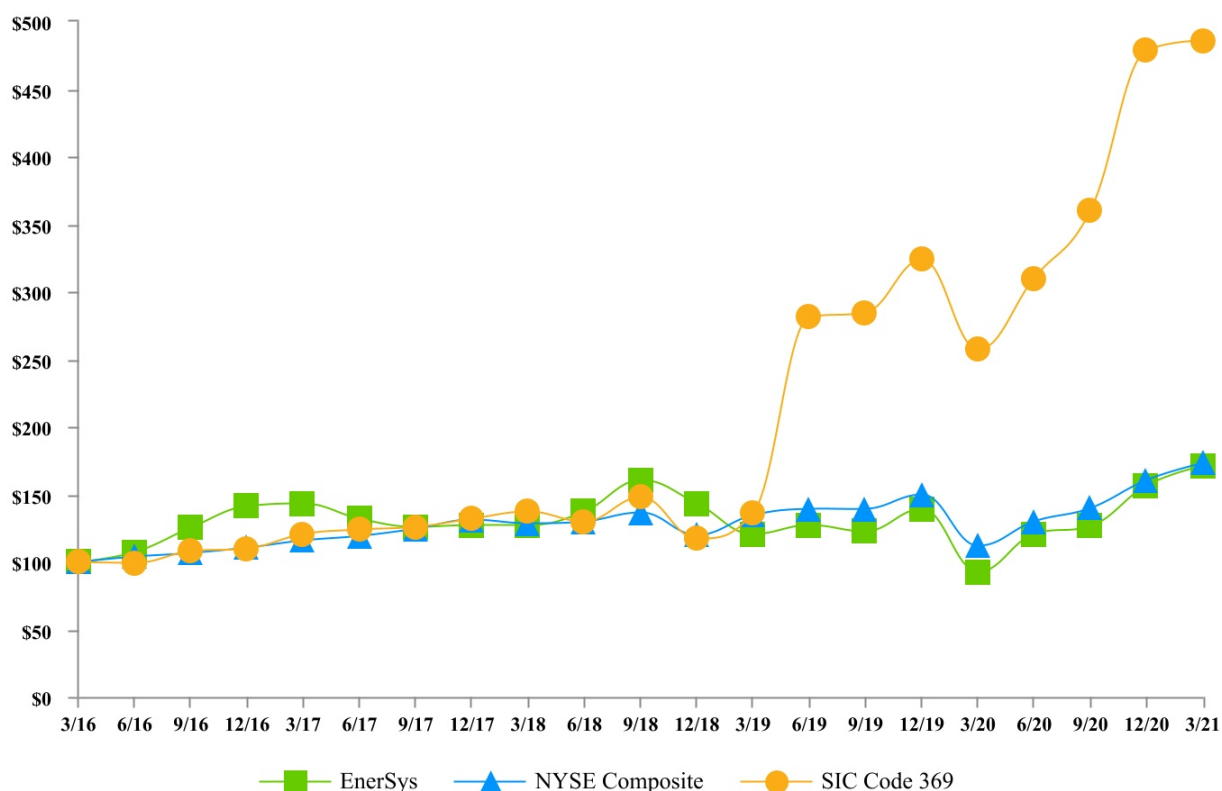
<sup>(2)</sup> On November 8, 2017, the Company announced the establishment of a \$100 million stock repurchase authorization, with no expiration date and a remaining authorization of \$59.1 million. The authorization is in addition to the existing stock repurchase programs.

### STOCK PERFORMANCE GRAPH

The following graph compares the changes in cumulative total returns on EnerSys' common stock with the changes in cumulative total returns of the New York Stock Exchange Composite Index, a broad equity market index, and the total return on a selected peer group index. The peer group selected is based on the standard industrial classification codes ("SIC Codes") established by the U.S. government. The index chosen was "Miscellaneous Electrical Equipment and Suppliers" and comprises all publicly traded companies having the same three-digit SIC Code (369) as EnerSys.

The graph was prepared assuming that \$100 was invested in EnerSys' common stock, the New York Stock Exchange Composite Index and the peer group (duly updated for changes) on March 31, 2016.

#### Comparison Of Five Year Cumulative Total Return\* For Year Ended March 31, 2021 Among EnerSys, the NYSE Composite Index, and SIC Code 369



\*\$100 invested on March 31, 2016 in stock or index, including reinvestment of dividends.

**ITEM 6. SELECTED FINANCIAL DATA**

	Fiscal Year Ended March 31,				
	2021	2020	2019	2018	2017
(In thousands, except share and per share data)					
<b>Consolidated Statements of Income:</b>					
Net sales	\$ 2,977,932	\$ 3,087,868	\$ 2,808,017	\$ 2,581,891	\$ 2,367,149
Cost of goods sold	2,238,782	2,301,148	2,104,612	1,920,030	1,713,115
Inventory step up to fair value relating to acquisitions and exit activities	—	1,854	10,379	3,457	2,157
Gross profit	739,150	784,866	693,026	658,404	651,877
Operating expenses	482,401	529,643	441,415	382,077	369,863
Restructuring, exit and other charges	40,374	20,766	34,709	5,481	7,160
Impairment of goodwill	—	39,713	—	—	12,216
Impairment of finite, indefinite-lived intangibles and fixed assets	—	4,549	—	—	1,800
Legal proceedings charge, net of settlement income	—	—	4,437	—	23,725
Operating earnings	216,375	190,195	212,465	270,846	237,113
Interest expense	38,436	43,673	30,868	25,001	22,197
Other (income) expense, net	7,804	(415)	(614)	7,519	2,221
Earnings before income taxes	170,135	146,937	182,211	238,326	212,695
Income tax expense	26,761	9,821	21,584	118,493	54,472
Net earnings	143,374	137,116	160,627	119,833	158,223
Net earnings (losses) attributable to noncontrolling interests	—	—	388	239	(1,991)
Net earnings attributable to EnerSys stockholders	\$ 143,374	\$ 137,116	\$ 160,239	\$ 119,594	\$ 160,214
Net earnings per common share attributable to EnerSys stockholders:					
Basic	\$ 3.37	\$ 3.23	\$ 3.79	\$ 2.81	\$ 3.69
Diluted	\$ 3.32	\$ 3.20	\$ 3.73	\$ 2.77	\$ 3.64
Weighted-average number of common shares outstanding:					
Basic	42,548,449	42,411,834	42,335,023	42,612,036	43,389,333
Diluted	43,224,403	42,896,775	43,008,952	43,119,856	44,012,543

As a result of the adoption of ASU 2017-07, "Compensation—Retirement Benefits (Topic 715)" during the first quarter of 2019, the Company has recast the prior years of fiscal 2018 and 2017, those being the years presented in the primary financial statements in the year of adoption of the standard.

	Fiscal Year Ended March 31,				
	2021	2020	2019	2018	2017
(In thousands)					
<b>Consolidated cash flow data:</b>					
Net cash provided by operating activities	\$ 358,375	\$ 253,398	\$ 197,855	\$ 211,048	\$ 246,030
Net cash used in investing activities	(65,044)	(274,819)	(723,883)	(72,357)	(61,833)
Net cash (used in) provided by financing activities	(188,724)	62,683	346,577	(166,888)	(62,542)
Other operating data:					
Capital expenditures	70,020	101,425	70,372	69,832	50,072
As of March 31,					
(In thousands)					
<b>Consolidated balance sheet data:</b>					
Cash and cash equivalents	\$ 451,808	\$ 326,979	\$ 299,212	\$ 522,118	\$ 500,329
Working capital	1,014,329	962,586	923,715	1,048,057	951,484
Total assets	3,462,797	3,301,698	3,118,193	2,486,925	2,293,029
Total debt, including finance leases	1,004,442	1,151,844	1,036,534	598,020	606,133
Total EnerSys stockholders' equity	1,539,755	1,300,525	1,282,287	1,195,675	1,103,456

On April 1, 2019, we adopted ASU No. 2016-02 which required us to recognize lease right-of-use assets and corresponding lease liabilities on the consolidated balance sheet.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis of our results of operations and financial condition for the fiscal years ended March 31, 2021, 2020 and 2019, should be read in conjunction with our audited Consolidated Financial Statements and the notes to those statements included in Item 8. Financial Statements and Supplementary Data, of this Annual Report on Form 10-K. Our discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives, opinions, expectations, anticipations and intentions and beliefs. Actual results and the timing of events could differ materially from those anticipated in those forward-looking statements as a result of a number of factors. See "Cautionary Note Regarding Forward-Looking Statements," "Business" and "Risk Factors," sections elsewhere in this Annual Report on Form 10-K. In the following discussion and analysis of results of operations and financial condition, certain financial measures may be considered "non-GAAP financial measures" under the SEC rules. These rules require supplemental explanation and reconciliation, which is provided in this Annual Report on Form 10-K.*

*EnerSys' management uses the non-GAAP measures, EBITDA and adjusted EBITDA, in its computation of compliance with loan covenants. These measures, as used by EnerSys, adjust net earnings determined in accordance with GAAP for interest, taxes, depreciation and amortization, and certain charges or credits as permitted by our credit agreements, that were recorded during the periods presented.*

*EnerSys' management uses the non-GAAP measures, "free cash flows", "primary working capital" and "primary working capital percentage" along with capital expenditures, in its evaluation of business segment cash flow and financial position performance. Primary working capital is trade accounts receivable, plus inventories, minus trade accounts payable and the resulting net amount is divided by the trailing three-month net sales (annualized) to derive a primary working capital percentage. Free cash flows are cash flows from operating activities less capital expenditures.*

*These non-GAAP disclosures have limitations as analytical tools, should not be viewed as a substitute for cash flow or operating earnings determined in accordance with GAAP, and should not be considered in isolation or as a substitute for analysis of the Company's results as reported under GAAP, nor are they necessarily comparable to non-GAAP performance measures that may be presented by other companies. This supplemental presentation should not be construed as an inference that the Company's future results will be unaffected by similar adjustments to operating earnings determined in accordance with GAAP.*

### Overview

EnerSys (the "Company," "we," or "us") is a world leader in stored energy solutions for industrial applications. We also manufacture and distribute energy systems solutions and motive power batteries, specialty batteries, battery chargers, power equipment, battery accessories and outdoor equipment enclosure solutions to customers worldwide. Energy Systems which combine enclosures, power conversion, power distribution and energy storage are used in the telecommunication and broadband, utility industries, uninterruptible power supplies, and numerous applications requiring stored energy solutions. Motive Power batteries and chargers are utilized in electric forklift trucks and other industrial electric powered vehicles. Specialty batteries are used in aerospace and defense applications, large over the road trucks, premium automotive and medical. We also provide aftermarket and customer support services to over 10,000 customers in more than 100 countries through a network of distributors, independent representatives and our internal sales force around the world.

During the first quarter of fiscal 2021, the Company's chief operating decision maker, or CODM (the Company's Chief Executive Officer), changed the manner in which he reviews financial information for purposes of assessing business performance and allocating resources, by focusing on the lines of business on a global basis, rather than on geographic basis. As a result of this change, the Company re-evaluated the identification of its operating segments and reportable segments. The new operating segments were identified as Energy Systems, Motive Power and Specialty. The Company's operating segments also represent its reportable segments under ASC 280, *Segment Reporting*. Therefore, the Company has changed its segment presentation from three reportable segments based on geographic basis to three reportable segments based on line of business. All prior comparative periods presented have been recast to reflect these changes.

The Company's three reportable segments, based on lines of business, are as follows:

- **Energy Systems** - uninterruptible power systems, or "UPS" applications for computer and computer-controlled systems, as well as telecommunications systems, switchgear and electrical control systems used in industrial facilities and electric utilities, large-scale energy storage and energy pipelines. Energy Systems also includes highly integrated

power solutions and services to broadband, telecom, renewable and industrial customers, as well as thermally managed cabinets and enclosures for electronic equipment and batteries.

- **Motive Power** - power for electric industrial forklifts used in manufacturing, warehousing and other material handling applications, as well as mining equipment, diesel locomotive starting and other rail equipment; and
- **Specialty** - premium starting, lighting and ignition applications in transportation, energy solutions for satellites, military aircraft, submarines, ships and other tactical vehicles, as well as medical and security systems.

We evaluate business segment performance based primarily upon operating earnings exclusive of highlighted items. Highlighted items are those that the Company deems are not indicative of ongoing operating results, including those charges that the Company incurs as a result of restructuring activities, impairment of goodwill and indefinite-lived intangibles and other assets, acquisition activities and those charges and credits that are not directly related to operating unit performance, such as significant legal proceedings, ERP system implementation, amortization of recently acquired intangible assets and tax valuation allowance changes, including those related to the adoption of the Tax Cuts and Jobs Act. Because these charges are not incurred as a result of ongoing operations, or are incurred as a result of a potential or previous acquisition, they are not as helpful a measure of the performance of our underlying business, particularly in light of their unpredictable nature and are difficult to forecast. All corporate and centrally incurred costs are allocated to the business segments based principally on net sales. We evaluate business segment cash flow and financial position performance based primarily upon free cash flows, capital expenditures and primary working capital levels. Although we monitor the three elements of primary working capital (receivables, inventory and payables), our primary focus is on the total amount due to the significant impact it has on our cash flow.

Our management structure, financial reporting systems, and associated internal controls and procedures, are all consistent with our three lines of business. We report on a March 31 fiscal year-end. Our financial results are largely driven by the following factors:

- global economic conditions and general cyclical patterns of the industries in which our customers operate;
- changes in our selling prices and, in periods when our product costs increase, our ability to raise our selling prices to pass such cost increases through to our customers;
- the extent to which we are able to efficiently utilize our global manufacturing facilities and optimize our capacity;
- the extent to which we can control our fixed and variable costs, including those for our raw materials, manufacturing, distribution and operating activities;
- changes in our level of debt and changes in the variable interest rates under our credit facilities; and
- the size and number of acquisitions and our ability to achieve their intended benefits.

## **Current Market Conditions**

### *Economic Climate*

Global economies are recovering differently from the COVID-19 pandemic. The United States and Chinese economies are experiencing a strong recovery while EMEA's economy continues to be slowed by high levels of COVID-19 cases.

EnerSys is experiencing some supply chain disruptions in certain materials such as plastic resins and electronic components along with occasional transportation challenges. In addition, some locations have difficulty meeting hiring goals. Generally, our mitigation efforts and the recent economic recovery, limit the impact of the pandemic-related challenges.

### *Volatility of Commodities and Foreign Currencies*

Our most significant commodity and foreign currency exposures are related to lead and the Euro, respectively. Historically, volatility of commodity costs and foreign currency exchange rates have caused large swings in our production costs. As a result of the COVID-19 pandemic, lead dropped into the low 70 cents per pound rate during our first fiscal quarter of 2021 and has currently rallied back to the mid 90 cents per pound rate which is approximately the pre-COVID-19 levels. We are experiencing increasing costs in some of our raw materials such as plastic resins, steel, copper and electronics.

### *Customer Pricing*

Our selling prices fluctuated during the last several years to offset the volatile cost of commodities. Approximately 30% of our revenue is now subject to agreements that adjust pricing to a market-based index for lead. Lead prices peaked in the first quarter of fiscal 2019 and then declined sequentially in every quarter in fiscal 2019. In fiscal 2020, our selling prices declined in

response to declining commodity costs, including lead. In fiscal 2021, lead prices declined further in the first quarter and then recovered slowly throughout the rest of the fiscal year. Based on current commodity markets, we will likely see year over year headwinds from increasing commodity prices, with some related increase in our selling prices in the upcoming year. As we concentrate more on energy systems and non-lead chemistries, the emphasis on lead will continue to decline.

### ***Liquidity and Capital Resources***

We believe that our financial position is strong, and we have substantial liquidity with \$452 million of available cash and cash equivalents and available and undrawn committed credit lines of approximately \$698 million at March 31, 2021 to cover short-term liquidity requirements and anticipated growth in the foreseeable future. The nominal amount of credit available is subject to a leverage ratio maximum of 3.5x EBITDA, as discussed in *Liquidity and Capital Resources*, which effectively limits additional debt or lowered cash balances by approximately \$600 million.

In fiscal 2020, we issued \$300 million in aggregate principal amount of our 4.375% Senior Notes due 2027 (the “2027 Notes”). Proceeds from this offering, net of debt issuance costs were \$296.3 million and were utilized to pay down the balance outstanding on the revolver borrowings.

In fiscal 2018, we entered into a credit facility (“2017 Credit Facility”) that consisted of a \$600.0 million senior secured revolving credit facility (“2017 Revolver”) and a \$150.0 million senior secured term loan (“2017 Term Loan”) with a maturity date of September 30, 2022. On December 7, 2018, we amended the 2017 Credit Facility (as amended, the “Amended Credit Facility”). The Amended Credit Facility consists of \$449.1 million senior secured term loans (the “Amended 2017 Term Loan”), including a CAD 133.1 million (\$99.1 million) term loan and a \$700.0 million senior secured revolving credit facility (the “Amended 2017 Revolver”). The amendment resulted in an increase of the 2017 Term Loan and the 2017 Revolver by \$299.1 million and \$100.0 million, respectively.

In fiscal 2021, we did not repurchase any shares but in fiscal 2020 and 2019 we repurchased \$34.6 million and \$56.4 million of our common stock under existing authorizations, respectively. In fiscal 2021, 2020 and 2019, we reissued 13,465, 17,410 and 3,256 shares out of our treasury stock, respectively, to participants under the Company's Employee Stock Purchase Plan.

In fiscal 2019, we reissued 1,177,630 shares from our treasury stock to satisfy \$100.0 million of the initial purchase consideration of \$750.0 million, in connection with the Alpha acquisition.

A substantial majority of the Company's cash and investments are held by foreign subsidiaries. The majority of that cash and investments is expected to be utilized to fund local operating activities, capital expenditure requirements and acquisitions. The Company believes that it has sufficient sources of domestic and foreign liquidity.

We believe that our strong capital structure and liquidity affords us access to capital for future capital expenditures, acquisition and stock repurchase opportunities and continued dividend payments.

### **Critical Accounting Policies and Estimates**

Our significant accounting policies are described in Note 1 - Summary of Significant Accounting Policies to the Consolidated Financial Statements in Item 8. In preparing our financial statements, management is required to make estimates and assumptions that, among other things, affect the reported amounts in the Consolidated Financial Statements and accompanying notes. These estimates and assumptions are most significant where they involve levels of subjectivity and judgment necessary to account for highly uncertain matters or matters susceptible to change, and where they can have a material impact on our financial condition and operating performance. We discuss below the more significant estimates and related assumptions used in the preparation of our Consolidated Financial Statements. If actual results were to differ materially from the estimates made, the reported results could be materially affected.

#### *Revenue Recognition*

We adopted the accounting standard for the recognition of revenue under ASC 606 for the fiscal year beginning on April 1, 2019. Under this standard, we recognize revenue only when we have satisfied a performance obligation through transferring control of the promised good or service to a customer. The standard indicates that an entity must determine at contract inception whether it will transfer control of a promised good or service over time or satisfy the performance obligation at a point in time through analysis of the following criteria: (i) the entity has a present right to payment, (ii) the customer has legal title, (iii) the



customer has physical possession, (iv) the customer has the significant risks and rewards of ownership and (v) the customer has accepted the asset. Our primary performance obligation to our customers is the delivery of finished goods and products, pursuant to purchase orders. Control of the products sold typically transfers to our customers at the point in time when the goods are shipped as this is also when title generally passes to our customers under the terms and conditions of our customer arrangements.

We assess collectibility based primarily on the customer's payment history and on the creditworthiness of the customer.

Management believes that the accounting estimates related to revenue recognition are critical accounting estimates because they require reasonable assurance of collection of revenue proceeds and completion of all performance obligations. Also, revenues are recorded net of provisions for sales discounts and returns, which are established at the time of sale. These estimates are based on our past experience. For additional information on the new accounting standard for the recognition of revenue see Note 1 of Notes to the Consolidated Financial Statements.

#### *Asset Impairment Determinations*

We test for the impairment of our goodwill and indefinite-lived trademarks at least annually and whenever events or circumstances occur indicating that a possible impairment has been incurred.

We assess whether goodwill impairment exists using both qualitative and quantitative assessments. The qualitative assessment involves determining whether events or circumstances exist that indicate it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. If, based on this qualitative assessment, we determine it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, or if we elect not to perform a qualitative assessment, a quantitative assessment is performed to determine whether a goodwill impairment exists at the reporting unit.

We perform our annual goodwill impairment test on the first day of our fourth quarter for each of our reporting units based on the income approach, also known as the discounted cash flow ("DCF") method, which utilizes the present value of future cash flows to estimate fair value. We also use the market approach, which utilizes market price data of companies engaged in the same or a similar line of business as that of our company, to estimate fair value. A reconciliation of the two methods is performed to assess the reasonableness of fair value of each of the reporting units.

The future cash flows used under the DCF method are derived from estimates of future revenues, operating income, working capital requirements and capital expenditures, which in turn reflect our expectations of specific global, industry and market conditions. The discount rate developed for each of the reporting units is based on data and factors relevant to the economies in which the business operates and other risks associated with those cash flows, including the potential variability in the amount and timing of the cash flows. A terminal growth rate is applied to the final year of the projected period and reflects our estimate of stable growth to perpetuity. We then calculate the present value of the respective cash flows for each reporting unit to arrive at the fair value using the income approach and then determine the appropriate weighting between the fair value estimated using the income approach and the fair value estimated using the market approach. Finally, we compare the estimated fair value of each reporting unit to its respective carrying value in order to determine if the goodwill assigned to each reporting unit is potentially impaired. If the fair value of the reporting unit exceeds its carrying value, goodwill is not impaired and no further testing is required. If the fair value of the reporting unit is less than the carrying value, an impairment charge is recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit.

Significant assumptions used include management's estimates of future growth rates, the amount and timing of future operating cash flows, capital expenditures, discount rates, as well as market and industry conditions and relevant comparable company multiples for the market approach. Assumptions utilized are highly judgmental, especially given the role technology plays in driving the demand for products in the telecommunications and aerospace markets.

Based on the results of the annual impairment test as of January 4, 2021, we determined there were no indicators of goodwill impairment.

The indefinite-lived trademarks are tested for impairment by comparing the carrying value to the fair value based on current revenue projections of the related operations, under the relief from royalty method. Any excess carrying value over the amount of fair value is recognized as impairment. Any impairment would be recognized in full in the reporting period in which it has been identified.

With respect to our other long-lived assets other than goodwill and indefinite-lived trademarks, we test for impairment when indicators of impairment are present. An asset is considered impaired when the undiscounted estimated net cash flows expected to be generated by the asset are less than its carrying amount. The impairment recognized is the amount by which the carrying amount exceeds the fair value of the impaired asset.

#### *Business Combinations*

We account for business combinations in accordance with ASC 805, Business Combinations. We recognize assets acquired and liabilities assumed in acquisitions at their fair values as of the acquisition date, with the acquisition-related transaction and restructuring costs expensed in the period incurred. Determining the fair value of assets acquired and liabilities assumed often involves estimates based on third-party valuations, such as appraisals, or internal valuations based on discounted cash flow analyses and may include estimates of attrition, inflation, asset growth rates, discount rates, multiples of earnings or other relevant factors. In addition, fair values are subject to refinement for up to a year after the closing date of an acquisition. Adjustments recorded to the acquired assets and liabilities are applied prospectively.

Fair values are based on estimates using management's assumptions using future growth rates, future attrition of the customer base, discount rates, multiples of earnings or other relevant factors.

Any change in the acquisition date fair value of assets acquired and liabilities assumed may materially affect our financial position, results of operations and liquidity.

#### *Litigation and Claims*

From time to time, the Company has been or may be a party to various legal actions and investigations including, among others, employment matters, compliance with government regulations, federal and state employment laws, including wage and hour laws, contractual disputes and other matters, including matters arising in the ordinary course of business. These claims may be brought by, among others, governments, customers, suppliers and employees. Management considers the measurement of litigation reserves as a critical accounting estimate because of the significant uncertainty in some cases relating to the outcome of potential claims or litigation and the difficulty of predicting the likelihood and range of potential liability involved, coupled with the material impact on our results of operations that could result from litigation or other claims.

In determining legal reserves, management considers, among other inputs:

- interpretation of contractual rights and obligations;
- the status of government regulatory initiatives, interpretations and investigations;
- the status of settlement negotiations;
- prior experience with similar types of claims;
- whether there is available insurance coverage; and
- advice of outside counsel.

For certain matters, management is able to estimate a range of losses. When a loss is probable, but no amount of loss within a range of outcomes is more likely than any other outcome, management will record a liability based on the low end of the estimated range. Additionally, management will evaluate whether losses in excess of amounts accrued are reasonably possible, and will make disclosure of those matters based on an assessment of the materiality of those addition possible losses.

#### *Environmental Loss Contingencies*

Accruals for environmental loss contingencies (i.e., environmental reserves) are recorded when it is probable that a liability has been incurred and the amount can reasonably be estimated. Management views the measurement of environmental reserves as a critical accounting estimate because of the considerable uncertainty surrounding estimation, including the need to forecast well into the future. From time to time, we may be involved in legal proceedings under federal, state and local, as well as international environmental laws in connection with our operations and companies that we have acquired. The estimation of environmental reserves is based on the evaluation of currently available information, prior experience in the remediation of contaminated sites and assumptions with respect to government regulations and enforcement activity, changes in remediation technology and practices, and financial obligations and creditworthiness of other responsible parties and insurers.

### *Warranty*

We record a warranty reserve for possible claims against our product warranties, which generally run for a period ranging from one to twenty years for our Energy Systems batteries, one to seven years for our Motive Power batteries and for a period ranging from one to four for Specialty transportation batteries. The assessment of the adequacy of the reserve includes a review of open claims and historical experience.

Management believes that the accounting estimate related to the warranty reserve is a critical accounting estimate because the underlying assumptions used for the reserve can change from time to time and warranty claims could potentially have a material impact on our results of operations.

### *Allowance for Doubtful Accounts*

Subsequent to the adoption of ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326)" effective April 1, 2020 the Company uses an expected loss model as mandated by the standard. The expected loss model: (i) estimates the risk of loss even when risk is remote, (ii) estimates losses over the contractual life, (iii) considers past events, current conditions and reasonable supported forecasts and (iv) has no recognition threshold.

The Company estimates the allowance for credit losses in relation to accounts receivable based on relevant qualitative and quantitative information about historical events, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported accounts receivable. Subsequent to April 1, 2020, accounts receivable are recorded at amortized cost less an allowance for expected credit losses. The Company maintains an allowance for credit losses for the expected failure or inability of its customers to make required payments. The Company recognizes the allowance for expected credit losses at inception and reassesses quarterly, based on management's expectation of the asset's collectability. The allowance is based on multiple factors including historical experience with bad debts, the credit quality of the customer base, the aging of such receivables and current macroeconomic conditions, as well as management's expectations of conditions in the future. The Company's allowance for uncollectible accounts receivable is based on management's assessment of the collectability of assets pooled together with similar risk characteristics. The Company then adjusts the historical credit loss percentage by current and forecasted economic conditions. The Company then includes a baseline credit loss percentage into the historical credit loss percentage for each aging category to reflect the potential impact of the current and economic conditions. Such a baseline calculation will be adjusted further if changes in the economic environment impacts the Company's expectation for future credit losses.

Management believes that the accounting estimate related to the allowance for doubtful accounts is a critical accounting estimate because the underlying assumptions used for the allowance can change from time to time and uncollectible accounts could potentially have a material impact on our results of operations.

### *Retirement Plans*

We use certain economic and demographic assumptions in the calculation of the actuarial valuation of liabilities associated with our defined benefit plans. These assumptions include the discount rate, expected long-term rates of return on assets and rates of increase in compensation levels. Changes in these assumptions can result in changes to the pension expense and recorded liabilities. Management reviews these assumptions at least annually. We use independent actuaries to assist us in formulating assumptions and making estimates. These assumptions are updated periodically to reflect the actual experience and expectations on a plan-specific basis, as appropriate.

For benefit plans which are funded, we establish strategic asset allocation percentage targets and appropriate benchmarks for significant asset classes with the aim of achieving a prudent balance between return and risk. We set the expected long-term rate of return based on the expected long-term average rates of return to be achieved by the underlying investment portfolios. In establishing this rate, we consider historical and expected returns for the asset classes in which the plans are invested, advice from pension consultants and investment advisors, and current economic and capital market conditions. The expected return on plan assets is incorporated into the computation of pension expense. The difference between this expected return and the actual return on plan assets is deferred and will affect future net periodic pension costs through subsequent amortization.

We believe that the current assumptions used to estimate plan obligations and annual expense are appropriate in the current economic environment. However, if economic conditions change materially, we may change our assumptions, and the resulting change could have a material impact on the Consolidated Statements of Income and on the Consolidated Balance Sheets.

### *Equity-Based Compensation*

We recognize compensation cost relating to equity-based payment transactions by using a fair-value measurement method whereby all equity-based payments to employees, including grants of restricted stock units, stock options, market and performance condition-based awards are recognized as compensation expense based on fair value at grant date over the requisite service period of the awards. We determine the fair value of restricted stock units based on the quoted market price of our common stock on the date of grant. The fair value of stock options is determined using the Black-Scholes option-pricing model, which uses both historical and current market data to estimate the fair value. The fair value of market condition-based awards is estimated at the date of grant using a Monte Carlo Simulation. The fair value of performance condition-based awards is based on the closing stock price on the date of grant, adjusted for a discount to reflect the illiquidity inherent in these awards.

All models incorporate various assumptions such as the risk-free interest rate, expected volatility, expected dividend yield and expected life of the awards. When estimating the requisite service period of the awards, we consider many related factors including types of awards, employee class, and historical experience. Actual results, and future changes in estimates of the requisite service period may differ substantially from our current estimates.

### *Income Taxes*

Our effective tax rate is based on pretax income and statutory tax rates available in the various jurisdictions in which we operate. We account for income taxes in accordance with applicable guidance on accounting for income taxes, which requires that deferred tax assets and liabilities be recognized using enacted tax rates for the effect of temporary differences between book and tax bases on recorded assets and liabilities. Accounting guidance also requires that deferred tax assets be reduced by a valuation allowance, when it is more likely than not that a tax benefit will not be realized.

The recognition and measurement of a tax position is based on management's best judgment given the facts, circumstances and information available at the reporting date. We evaluate tax positions to determine whether the benefits of tax positions are more likely than not of being sustained upon audit based on the technical merits of the tax position. For tax positions that are more likely than not of being sustained upon audit, we recognize the largest amount of the benefit that is greater than 50% likely of being realized upon ultimate settlement in the financial statements. For tax positions that are not more likely than not of being sustained upon audit, we do not recognize any portion of the benefit in the financial statements. If the more likely than not threshold is not met in the period for which a tax position is taken, we may subsequently recognize the benefit of that tax position if the tax matter is effectively settled, the statute of limitations expires, or if the more likely than not threshold is met in a subsequent period.

We evaluate, on a quarterly basis, our ability to realize deferred tax assets by assessing our valuation allowance and by adjusting the amount of such allowance, if necessary. The factors used to assess the likelihood of realization are our forecast of future taxable income and available tax planning strategies that could be implemented to realize the net deferred tax assets.

To the extent we prevail in matters for which reserves have been established, or are required to pay amounts in excess of our reserves, our effective tax rate in a given financial statement period could be materially affected.

## Results of Operations—Fiscal 2021 Compared to Fiscal 2020

The following table presents summary Consolidated Statements of Income data for fiscal year ended March 31, 2021, compared to fiscal year ended March 31, 2020:

	Fiscal 2021		Fiscal 2020		Increase (Decrease)	
	In Millions	As % Net Sales	In Millions	As % Net Sales	In Millions	%
Net sales	\$ 2,977.9	100.0 %	\$ 3,087.8	100.0 %	\$ (109.9)	(3.6)%
Cost of goods sold	2,238.8	75.2	2,301.0	74.5	(62.2)	(2.7)
Inventory step up to fair value relating to acquisitions and exit activities	—	—	1.9	0.1	(1.9)	NM
Gross profit	739.1	24.8	784.9	25.4	(45.8)	(5.8)
Operating expenses	482.3	16.2	529.7	17.1	(47.4)	(8.9)
Restructuring, exit and other charges	40.4	1.4	20.8	0.7	19.6	94.4
Impairment of goodwill	—	—	39.7	1.3	(39.7)	NM
Impairment of indefinite-lived intangibles	—	—	4.5	0.1	(4.5)	NM
Operating earnings	216.4	7.2	190.2	6.1	26.2	13.8
Interest expense	38.5	1.3	43.7	1.4	(5.2)	(12.0)
Other (income) expense, net	7.8	0.2	(0.5)	—	8.3	NM
Earnings before income taxes	170.1	5.7	147.0	4.7	23.1	15.8
Income tax expense	26.8	0.9	9.9	0.3	16.9	NM
Net earnings	143.3	4.8	137.1	4.4	6.2	4.6
Net earnings attributable to noncontrolling interests	—	—	—	—	—	—
Net earnings attributable to EnerSys stockholders	\$ 143.3	4.8 %	\$ 137.1	4.4 %	\$ 6.2	4.6 %

NM = not meaningful

### Overview

Our sales in fiscal 2021 were \$3.0 billion, a 4% decrease from prior year's sales. This decline was the result of a 5% decrease in organic volume resulting from the pandemic and a 1% decrease in pricing, partially offset by a 2% increase from the NorthStar acquisition.

A discussion of specific fiscal 2021 versus fiscal 2020 operating results follows, including an analysis and discussion of the results of our reportable segments.

### Net Sales

#### Segment sales

	Fiscal 2021		Fiscal 2020		Increase (Decrease)	
	In Millions	% Net Sales	In Millions	% Net Sales	In Millions	%
Energy Systems	\$ 1,380.2	46.3 %	\$ 1,357.3	44.0 %	\$ 22.9	1.7 %
Motive Power	1,163.8	39.1	1,348.2	43.7	(184.4)	(13.7)
Specialty	433.9	14.6	382.3	12.3	51.6	13.5
Total net sales	\$ 2,977.9	100.0 %	\$ 3,087.8	100.0 %	\$ (109.9)	(3.6)%

Net sales of our Energy Systems segment in fiscal 2021 increased \$22.9 million, or 1.7%, compared to fiscal 2020. This increase was primarily due to a 2% increase from the NorthStar acquisition and a 1% increase in foreign currency translation impact partially offset by a 1% decrease in pricing. Continued strong demand in telecommunication and data center products has offset softness in demand for power supplies from broadband customers.

Net sales of our Motive Power segment in fiscal 2021 decreased by \$184.4 million, or 13.7%, compared to fiscal 2020. This decrease was primarily due to a 14% decrease in organic volume and a 1% decrease in pricing, partially offset by a 1% increase in foreign currency translation impact. COVID-19 restrictions and related economic slowdown impacted this segment more than our other lines of business.

Net sales of our Specialty segment in fiscal 2021 increased by \$51.6 million, or 13.5%, compared to fiscal 2020. The increase was primarily due to an 8% increase in organic volume, a 6% increase from the NorthStar acquisition and a 1% increase in foreign currency translation impact, partially offset by a 1% decrease in pricing. Demand from customers in the transportation, starting, lighting and ignition market continues to drive significant improvement in revenues in this segment.

### Gross Profit

	Fiscal 2021		Fiscal 2020		Increase (Decrease)	
	In Millions	As % Net Sales	In Millions	As % Net Sales	In Millions	%
Gross profit	\$ 739.1	24.8 %	\$ 784.9	25.4 %	\$ (45.8)	(5.8)%

Gross profit decreased \$45.8 million or 5.8% in fiscal 2021 compared to fiscal 2020. Gross profit, as a percentage of net sales, decreased 60 basis points in fiscal 2021 compared to fiscal 2020. The decrease in the gross profit margin in fiscal 2021 compared to the prior year reflects the impact of unfavorable manufacturing variances resulting from inefficiencies caused by pandemic related lower volumes and transition inefficiencies in the NorthStar facilities as they commission the High Speed Lines (“HSL”) and EnerSys products, partially offset by lower commodity costs net of pricing and the receipt of \$7.5 million of insurance proceeds relating to the Richmond fire business interruption claim.

### Operating Items

	Fiscal 2021		Fiscal 2020		Increase (Decrease)	
	In Millions	As % Net Sales	In Millions	As % Net Sales	In Millions	%
Operating expenses	\$ 482.3	16.2 %	\$ 529.7	17.1 %	\$ (47.4)	(8.9)%
Restructuring, exit and other charges	40.4	1.4	20.8	0.7	19.6	94.4
Impairment of goodwill	—	—	39.7	1.3	(39.7)	NM
Impairment of indefinite-lived intangibles	—	—	4.5	0.1	(4.5)	NM

NM = not meaningful

### Operating Expenses

Operating expenses decreased \$47.4 million or 8.9% in fiscal 2021 from fiscal 2020 and decreased as a percentage of net sales by 90 basis points. Decisive reductions in headcount and discretionary spending made early in our fiscal year along with targeted restructuring and automation efforts, allowed us to substantially reduce our operating expenses, particularly selling expenses, as noted below.

Selling expenses, our main component of operating expenses, were 42.4% of total operating expenses in fiscal 2021, compared to 44.7% of total operating expenses in fiscal 2020.

## ***Restructuring, exit and other charges***

### *Fiscal 2021*

During the third quarter of fiscal 2021, we committed to a plan to substantially close our facility in Hagen, Germany, which produces flooded motive power batteries for forklifts. Management determined that future demand for the motive power batteries produced at this facility was not sufficient, given the conversion from flooded to maintenance free batteries by customers, the existing number of competitors in the market, as well as the near term decline in demand and increased uncertainty from the pandemic. We plan to retain the facility with limited sales, service and administrative functions along with related personnel for the foreseeable future.

We currently estimate that the total charges for these actions will amount to approximately \$60.0 million, the majority of which are expected to be recorded by the end of calendar 2021. Cash charges of approximately \$40.0 million are primarily for employee severance related payments, but also include payments for cleanup related to the facility, contractual releases and legal expenses. Non-cash charges from inventory and equipment write-offs are estimated to be \$20.0 million. These actions will result in the reduction of approximately 200 employees. During fiscal 2021, the Company recorded charges relating to severance of \$23.3 million and \$7.9 million primarily relating to fixed asset write-offs.

During fiscal 2021, we also committed to a plan to close our facility in Vijayawada, India to align with the strategic vision for our new line of business structure and footprint and recorded exit charges of \$1.5 million primarily relating to asset write-offs.

In addition, included in our fiscal 2021 operating results are restructuring charges of \$3.2 million in Energy Systems, primarily relating to our recent acquisitions and \$4.0 million in Motive Power primarily relating to improving operational efficiency in Europe.

### *Fiscal 2020*

Included in our fiscal 2020 operating results were restructuring charges of \$6.8 million in the Energy Systems, \$1.9 million in Motive Power and \$2.3 million in Specialty. Restructuring charges in Energy Systems and Specialty primarily related to the NorthStar acquisition.

Also included in our fiscal 2020 operating results were exit charges of \$9.8 million, of which \$5.1 million related to the closure of our facility in Targovishte, Bulgaria.

In keeping with our strategy of exiting the manufacture of batteries for diesel-electric submarines, during fiscal 2020, we sold certain licenses and assets for \$2.0 million and recorded a net gain of \$0.9 million, which were reported as other exit charges in Specialty.

During fiscal 2020, we also wrote off \$5.5 million of assets at our Kentucky and Tennessee Motive Power plants, as a result of our strategic product mix shift from traditional flooded batteries to maintenance free lead acid and lithium batteries.

### ***Richmond, Kentucky Plant Fire***

During fiscal 2021, the Company settled its claims with its insurance carrier relating to the fire that broke out in the battery formation area of the Company's Richmond, Kentucky motive power production facility in fiscal 2020. The total claims for both property and business interruption of \$46.1 million were received through March 31, 2021. The final settlement of insurance recoveries and finalization of costs related to the replacement of property, plant and equipment, resulted in a net gain of \$4.4 million, which was recorded as a reduction to operating expenses in the Consolidated Statements of Income.

The details of charges and recoveries for fiscal 2021 and fiscal 2020 are as follows:

In fiscal 2020, the Company recorded \$17.0 million as receivable, consisting of write-offs for damages caused to its fixed assets and inventories, as well as for cleanup, asset replacement and other ancillary activities directly associated with the fire and received \$12.0 million related to its initial claims.

During fiscal 2021, the Company recorded an additional \$16.6 million as receivable for cleanup and received \$21.6 million from the insurance carrier.

In addition to the property damage claim, the Company received \$12.5 million in business interruption claims, of which \$5.0 million was recorded in fiscal 2020 and \$7.5 million in fiscal 2021, and was credited to cost of goods sold, in the respective periods.

### Operating Earnings

Operating earnings by segment were as follows:

	Fiscal 2021		Fiscal 2020		Increase (Decrease)	
	In Millions	As % Net Sales <sup>(1)</sup>	In Millions	As % Net Sales <sup>(1)</sup>	In Millions	%
Energy Systems	\$ 66.9	4.9 %	\$ 67.9	5.0 %	\$ (1.0)	(1.1)%
Motive Power	143.6	12.3	146.7	10.9	(3.1)	(2.2)
Specialty	46.3	10.6	42.5	11.1	3.8	8.7
Subtotal	256.8	8.6	257.1	8.3	(0.3)	(0.1)
Inventory step up to fair value relating to acquisitions - Energy Systems	—	—	(0.3)	—	0.3	NM
Inventory step up to fair value relating to acquisitions - Specialty	—	—	(1.6)	(0.4)	1.6	NM
Restructuring charges - Energy Systems	(3.1)	(0.2)	(7.3)	(0.5)	4.2	(56.2)
Restructuring and other exit charges - Motive Power	(36.9)	(3.2)	(2.0)	(0.1)	(34.9)	NM
Restructuring and other exit charges - Specialty	(0.4)	(0.1)	(6.0)	(1.6)	5.6	(93.5)
Fixed asset write-off relating to exit activities and other - Motive Power	—	—	(5.4)	(0.4)	5.4	NM
Fixed asset write-off relating to exit activities and other - Energy Systems	—	—	(0.1)	—	0.1	NM
Impairment of goodwill	—	—	(39.7)	(1.3)	39.7	NM
Impairment of indefinite-lived intangibles	—	—	(4.5)	(0.1)	4.5	NM
Total operating earnings	\$ 216.4	7.2 %	\$ 190.2	6.1 %	\$ 26.2	13.8 %

NM = not meaningful

- (1) The percentages shown for the segments are computed as a percentage of the applicable segment's net sales except for impairment of goodwill and indefinite-lived intangibles, which are shown as percentage of total company net sales, as they related to the Company's legacy reporting units as discussed in *Results of Operations—Fiscal 2020 Compared to Fiscal 2019*.

Operating earnings increased \$26.2 million or 13.8% in fiscal 2021, compared to fiscal 2020. Operating earnings, as a percentage of net sales, increased 110 basis points in fiscal 2021, compared to fiscal 2020.

The Energy Systems operating earnings decreased 10 basis points in fiscal 2021 compared to fiscal 2020. Energy Systems had a very strong year in its sales of batteries and enclosures due to strong telecom demand. Weakness in Power Systems, particularly in the broadband or cable modem/television market largely negated those benefits, resulting in slightly lower year over year results. We believe the influence of the "work from home" phenomenon, resulting from the pandemic made broadband customers focus on expanding capacity in suburban areas rather than focusing on adding power to their networks.

The Motive Power operating earnings increased 140 basis points in fiscal 2021 compared to fiscal 2020. Our Motive Power segment was the most impacted by COVID-19 with revenues in the first half of our fiscal year down by 20%, but recovered in the second half. The Richmond, KY facility has fully recovered from the damage caused by the fire discussed earlier and is operating at near historic levels of efficiency. The restructuring of our Hagen facility announced in November 2020, also allowed us to start shedding significant fixed costs, while absorbing Hagen's output in existing facilities.

Despite Specialty operating earnings decreasing by 50 basis points in fiscal 2021 compared to fiscal 2020, this segment had a strong year, primarily from burgeoning demand from the transportation market. This segment also incurred significant manufacturing inefficiencies from the pandemic in the first half of fiscal 2021 and the startup of the new HSL in our



Springfield, MO facilities in the second half. Specialty did increase its operating earnings dollars by \$3.8 million, compared to the prior year.

#### **Interest Expense**

	Fiscal 2021		Fiscal 2020		Increase (Decrease)	
	In Millions	As % Net Sales	In Millions	As % Net Sales	In Millions	%
Interest expense	\$ 38.5	1.3 %	\$ 43.7	1.4 %	\$ (5.2)	(12.0)%

Interest expense of \$38.5 million in fiscal 2021 (net of interest income of \$2.3 million) was \$5.2 million lower than the \$43.7 million in fiscal 2020 (net of interest income of \$2.2 million).

Our average debt outstanding was \$1,105.5 million in fiscal 2021, compared to our average debt outstanding of \$1,097.9 million in fiscal 2020. Our average cash interest rate incurred in fiscal 2021 was 3.3% and was 3.8% in fiscal 2020. The decrease in interest expense in fiscal 2021 compared to fiscal 2020 is primarily due to lower average interest rates.

In fiscal 2020, in connection with the issuance of the 2027 Notes, we capitalized \$4.6 million of debt issuance costs. Included in interest expense were non-cash charges related to amortization of deferred financing fees of \$2.1 million in fiscal 2021 and \$1.7 million in fiscal 2020.

#### **Other (Income) Expense, Net**

	Fiscal 2021		Fiscal 2020		Increase (Decrease)	
	In Millions	As % Net Sales	In Millions	As % Net Sales	In Millions	%
Other (income) expense, net	\$ 7.8	0.2 %	\$ (0.5)	— %	\$ 8.3	NM

Other (income) expense, net was expense of \$7.8 million in fiscal 2021 compared to income of \$0.5 million in fiscal 2020. Foreign currency losses were \$6.7 million in fiscal 2021 compared to \$0.3 million in fiscal 2020.

#### **Earnings Before Income Taxes**

	Fiscal 2021		Fiscal 2020		Increase (Decrease)	
	In Millions	As % Net Sales	In Millions	As % Net Sales	In Millions	%
Earnings before income taxes	\$ 170.1	5.7 %	\$ 147.0	4.7 %	\$ 23.1	15.8 %

As a result of the factors discussed above, fiscal 2021 earnings before income taxes were \$170.1 million, an increase of \$23.1 million or 15.8% compared to fiscal 2020.

#### **Income Tax Expense**

	Fiscal 2021		Fiscal 2020		Increase (Decrease)	
	In Millions	As % Net Sales	In Millions	As % Net Sales	In Millions	%
Income tax expense	\$ 26.8	0.9 %	\$ 9.9	0.3 %	\$ 16.9	NM
Effective tax rate	15.7 %		6.7 %		9.0 %	

NM = not meaningful

Our effective income tax rate with respect to any period may be volatile based on the mix of income in the tax jurisdictions in which we operate and the amount of our consolidated income before taxes.

The Company's income tax provision consists of federal, state and foreign income taxes. The effective income tax rate was 15.7% in fiscal 2021 compared to the fiscal 2020 effective income tax rate of 6.7%. The rate increase in fiscal 2021 compared

to fiscal 2020 is primarily due to Swiss tax reform, partially offset by the Hagen, Germany exit charges and changes in the mix of earnings among tax jurisdictions.

On May 19, 2019, a public referendum held in Switzerland approved the Federal Act on Tax Reform and AHV (Old-Age and Survivors Insurance) Financing (TRAF) as adopted by the Swiss Federal Parliament on September 28, 2018. The Swiss tax reform measures were effective January 1, 2020. We recorded a net deferred tax asset of \$22.5 million during fiscal 2020, related to the amortizable goodwill and based on further evaluation with the Swiss tax authority, recorded an additional income tax benefit of \$1.9 million during fiscal 2021.

The fiscal 2021 foreign effective income tax rate was 6.8% on foreign pre-tax income of \$114.1 million compared to an effective income tax rate of (7.4%) on foreign pre-tax income of \$110.7 million in fiscal 2020. For both fiscal 2021 and 2020, the difference in the foreign effective tax rate versus the U.S. statutory rate of 21% is primarily attributable to lower tax rates in the foreign countries in which we operate. The rate increase in fiscal 2021 compared to fiscal 2020 is primarily due to Swiss tax reform, partially offset by the Hagen, Germany exit charges and changes in the mix of earnings among tax jurisdictions. Income from our Swiss subsidiary comprised a substantial portion of our overall foreign mix of income for both fiscal 2021 and fiscal 2020 and was taxed, excluding the impact from Swiss tax reform, at approximately 8% and 3%, respectively.

#### Results of Operations—Fiscal 2020 Compared to Fiscal 2019

The following table presents summary Consolidated Statements of Income data for fiscal year ended March 31, 2020, compared to fiscal year ended March 31, 2019:

	Fiscal 2020		Fiscal 2019		Increase (Decrease)	
	In Millions	As % Net Sales	In Millions	As % Net Sales	In Millions	%
Net sales	\$ 3,087.8	100.0 %	\$ 2,808.0	100.0 %	\$ 279.8	10.0 %
Cost of goods sold	2,301.0	74.5	2,104.6	74.9	196.4	9.3
Inventory adjustment relating to acquisition and exit activities	1.9	0.1	10.3	0.4	(8.4)	(82.1)
Gross profit	784.9	25.4	693.1	24.7	91.8	13.3
Operating expenses	529.7	17.1	441.4	15.7	88.3	20.0
Restructuring and other exit charges	20.8	0.7	34.8	1.2	(14.0)	(40.2)
Impairment of goodwill	39.7	1.3	—	—	39.7	NM
Impairment of indefinite-lived intangibles	4.5	0.1	—	—	4.5	NM
Legal proceedings charge, net	—	—	4.4	0.2	(4.4)	NM
Operating earnings	190.2	6.1	212.5	7.6	(22.3)	(10.5)
Interest expense	43.7	1.4	30.9	1.1	12.8	41.5
Other (income) expense, net	(0.5)	—	(0.5)	—	—	—
Earnings before income taxes	147.0	4.7	182.1	6.5	(35.1)	(19.4)
Income tax expense	9.9	0.3	21.6	0.8	(11.7)	(54.5)
Net earnings	137.1	4.4	160.5	5.7	(23.4)	(14.6)
Net earnings (losses) attributable to noncontrolling interests	—	—	0.3	—	(0.3)	NM
Net earnings attributable to EnerSys stockholders	\$ 137.1	4.4 %	\$ 160.2	5.7 %	\$ (23.1)	(14.4)%

NM = not meaningful

#### Overview

Our sales in fiscal 2020 were \$3.1 billion, a 10% increase from prior year's sales. This increase was the result of a 17% increase due to the Alpha and NorthStar acquisitions (as discussed in Part I, Item 1 of this Annual Report), partially offset by a 4% decrease in organic volume, a 2% decrease in foreign currency translation impact and a 1% decrease in pricing. Organic volume decline in fiscal 2020 reflects the impact of the recent fire and ERP execution challenges in our Richmond, Kentucky facility and weakness in the European and Asian markets.

A discussion of specific fiscal 2020 versus fiscal 2019 operating results follows, including an analysis and discussion of the results of our reportable segments.

## Net Sales

### Segment sales

	Fiscal 2020		Fiscal 2019		Increase (Decrease)	
	In Millions	As % Net Sales	In Millions	As % Net Sales	In Millions	%
Energy Systems	\$ 1,357.3	44.0 %	\$ 1,086.3	38.7 %	\$ 271.0	25.0 %
Motive Power	1,348.2	43.7	1,391.8	49.5	(43.6)	(3.1)
Specialty	382.3	12.3	329.9	11.8	52.4	15.9
Total net sales	\$ 3,087.8	100.0 %	\$ 2,808.0	100.0 %	\$ 279.8	10.0 %

Net sales of our Energy Systems segment increased in fiscal 2020 by \$271.0 million, or 25.0%, compared to the prior year, primarily due to a 40% increase from the Alpha and NorthStar acquisitions, partially offset by a 12% decrease in organic volume, a 2% decrease in currency translation impact and a 1% decrease in pricing. The decrease in organic volume in fiscal 2020 is primarily from the deferral of spending by telecom and broadband customers and the conclusion of a large enclosure order in the preceding year.

Net sales of our Motive Power segment decreased in fiscal 2020 by \$43.6 million, or 3.1%, compared to the prior year, primarily due to a 2% decrease in currency translation impact and a 1% decrease in pricing. The lack of organic growth in motive power product volume was due to greater competition in European markets and the September 2019 fire in our Richmond, Kentucky facility.

Net sales of our Specialty segment increased in fiscal 2020 by \$52.4 million, or 15.9%, compared to the prior year, primarily due to a 9% increase from the NorthStar acquisition and an 8% increase in organic volume, partially offset by a 1% decrease in pricing. Organic volume improvement is primarily due to our continuing push into the transportation markets for starting, lighting and ignition batteries for cars and trucks.

## Gross Profit

	Fiscal 2020		Fiscal 2019		Increase (Decrease)	
	In Millions	As % Net Sales	In Millions	As % Net Sales	In Millions	%
Gross profit	\$ 784.9	25.4 %	\$ 693.1	24.7 %	\$ 91.8	13.3 %

Gross profit increased \$91.8 million or 13.3% in fiscal 2020 compared to fiscal 2019. Gross profit, as a percentage of net sales, increased 70 basis points in fiscal 2020 compared to fiscal 2019. This increase in the gross profit margin is largely a function of declines in commodity costs relative to pricing, partially offset by higher manufacturing costs.

## Operating Items

	Fiscal 2020		Fiscal 2019		Increase (Decrease)	
	In Millions	As % Net Sales	In Millions	As % Net Sales	In Millions	%
Operating expenses	\$ 529.7	17.1 %	\$ 441.4	15.7 %	\$ 88.3	20.0 %
Restructuring and other exit charges	20.8	0.7	34.8	1.2	(14.0)	(40.2)
Impairment of goodwill	39.7	1.3	—	—	39.7	NM
Impairment of indefinite-lived intangibles	4.5	0.1	—	—	4.5	NM
Legal proceedings charge, net	—	—	4.4	0.2	(4.4)	NM

NM = not meaningful

## **Operating Expenses**

Operating expenses increased \$88.3 million or 20% in fiscal 2020 from fiscal 2019 and increased as a percentage of net sales by 140 basis points. Excluding the impact of the foreign currency translation, the increase reflects the inclusion of Alpha and NorthStar, as well as an increase of \$25.0 million towards new product development.

Selling expenses, our main component of operating expenses, were 44.7% of total operating expenses in fiscal 2020, compared to 46.4% of total operating expenses in fiscal 2019.

### **Impairment of goodwill and indefinite-lived intangibles**

Goodwill is tested annually for impairment during the fourth quarter or earlier upon the occurrence of certain events or substantive changes in circumstances that indicate goodwill is more likely than not impaired.

In the fourth quarter of fiscal 2020, we conducted our annual goodwill impairment test which indicated that the fair value of Asia was less than its carrying value. We recorded a non-cash charge of \$39.7 million related to goodwill impairment in our legacy Asia reporting unit under the caption "Impairment of goodwill" in the Consolidated Statements of Income. We also recorded a non-cash charge of \$4.5 million related to indefinite-lived trademarks in our legacy EMEA segment, under the caption "Impairment of indefinite-lived intangibles" in the Consolidated Statements of Income. The key factors contributing to the impairment in Asia was the increasing pressure on organic sales growth that we began to experience in fiscal 2019 due to a slowdown in telecom spending in the PRC amidst growing trade tensions between the U.S.A and China. The impact of these trade tensions on our ability to capture market share in the PRC accelerated in the second half of the fiscal year. Throughout fiscal 2020, there was a general slowdown in the Chinese economy which was further exacerbated by the outbreak of the COVID-19 pandemic, causing disruption to two of our plants in China in the fourth quarter. Also contributing to the poor performance of the Asia region was a general softening of demand in Australia, that began in fiscal 2019 and continued throughout fiscal 2020. We monitored the performance of our Asia reporting unit for interim impairment indicators throughout fiscal 2020, but the emergence of COVID-19 in China in December 2019 coupled with the totality of economic headwinds in the region resulted in the recognition of a goodwill impairment loss in connection with our annual impairment test.

During the fourth quarter of fiscal 2020, management completed its evaluation of key inputs used to estimate the fair value of its indefinite-lived trademarks and determined that an impairment charge relating to two of its trademarks in the EMEA segment, that were acquired through legacy acquisitions was appropriate, as it plans to phase out these trademarks.

### **Restructuring, exit and other charges**

#### *Fiscal 2020*

Included in our fiscal 2020 operating results were restructuring charges of \$6.8 million in the Energy Systems, \$1.9 million in Motive Power and \$2.3 million in Specialty. Restructuring charges in Energy Systems and Specialty primarily related to the NorthStar acquisition.

Also included in our fiscal 2020 operating results were exit charges of \$9.8 million, of which \$5.1 million related to the closure of our facility in Targovishte, Bulgaria in Specialty.

In keeping with our strategy of exiting the manufacture of batteries for diesel-electric submarines, during fiscal 2020, we sold certain licenses and assets for \$2.0 million and recorded a net gain of \$0.9 million, which were reported as other exit charges in Specialty.

During fiscal 2020, we also wrote off \$5.5 million of assets at our Kentucky and Tennessee Motive Power plants, as a result of our strategic product mix shift from traditional flooded batteries to maintenance free lead acid and lithium batteries.

#### *Fiscal 2019*

Included in our fiscal 2019 operating results were restructuring charges of \$5.1 million in the Energy Systems, \$4.8 million in Motive Power and \$0.7 million in Specialty.

Also included in our fiscal 2019 operating results were exit charges of \$24.1 million, of which \$17.7 million related to the closure of our facility in Targovishte, Bulgaria (Specialty), \$4.9 million related to the disposition of GAZ Geräte - und

Akkumulatorenwerk Zwickau GmbH, a wholly-owned German subsidiary (Energy Systems) and \$1.0 million related to dissolving a joint venture in Tunisia (Motive).

The facility in Bulgaria produced diesel-electric submarine batteries. Management determined that the future demand for batteries of diesel-electric submarines was not sufficient given the number of competitors in the market. The \$17.7 million charges were primarily non-cash charges of \$15.0 million related to the write-off of fixed assets and \$2.7 million of severance payments. In addition, cost of goods sold also included a \$2.5 million of inventory write-off relating to the closure of the Bulgaria facility. These exit activities are a consequence of the Company's strategic decision to streamline its product portfolio and focus its efforts on new technologies.

***Richmond, Kentucky Plant Fire***

On September 19, 2019, a fire broke out in the battery formation area of our Richmond, Kentucky motive power production facility. We maintain insurance policies for both property damage and business interruption and are finishing cleanup and repair.

We recorded \$10.0 million of damages caused to our fixed assets and inventories, as well as for cleanup, asset replacement and other ancillary activities directly associated with the fire, which were initially reflected as a receivable for probable insurance recoveries. We received \$12.0 million in advances related to our initial claims for recovery from our property and casualty insurance carriers in fiscal 2020. Subsequent to March 31, 2020, we also received an additional \$8.7 million towards the business interruption claim, of which, \$5.0 million was booked as a reduction to our cost of goods sold in our fourth quarter. The final settlement of this claim is discussed further under *Results of Operations—Fiscal 2021 Compared to Fiscal 2020* in this section.

## Operating Earnings

Operating earnings by segment were as follows:

	Fiscal 2020		Fiscal 2019		Increase (Decrease)	
	In Millions	As % Net Sales <sup>(1)</sup>	In Millions <sup>(2)</sup>	As % Net Sales <sup>(1)</sup>	In Millions	%
Energy Systems	\$ 67.9	5.0 %	\$ 45.2	4.2 %	\$ 22.7	50.1 %
Motive Power	146.7	10.9	172.7	12.4	(26.0)	(15.0)
Specialty	42.5	11.1	44.1	13.4	(1.6)	(3.7)
Subtotal	257.1	8.3	262.0	9.3	(4.9)	(1.9)
Inventory step up to fair value relating to acquisitions - Energy Systems	(0.3)	—	(7.7)	(0.7)	7.4	(96.1)
Inventory step up to fair value relating to acquisitions - Specialty	(1.6)	(0.4)	(2.6)	(0.8)	1.0	(40.2)
Restructuring charges - Energy Systems	(7.3)	(0.5)	(10.7)	(1.0)	3.4	(36.0)
Restructuring and other exit charges - Motive Power	(2.0)	(0.1)	(5.8)	(0.4)	3.8	(77.8)
Restructuring and other exit charges - Specialty	(6.0)	(1.6)	(18.3)	(5.6)	12.3	(67.2)
Fixed asset write-off relating to exit activities and other - Motive Power	(5.4)	(0.4)	—	—	(5.4)	NM
Fixed asset write-off relating to exit activities and other - Energy Systems	(0.1)	—	—	—	(0.1)	NM
Impairment of goodwill	(39.7)	(1.3)	—	—	(39.7)	NM
Impairment of indefinite-lived intangibles	(4.5)	(0.1)	—	—	(4.5)	NM
Legal proceedings charge - Energy Systems	—	—	(4.3)	(0.4)	4.3	NM
Legal proceedings charge - Motive Power	—	—	(0.1)	—	0.1	NM
Total operating earnings	\$ 190.2	6.1 %	\$ 212.5	7.6 %	\$ (22.3)	(10.5)%

NM = not meaningful

- (1) The percentages shown for the segments are computed as a percentage of the applicable segment's net sales except for impairment of goodwill and indefinite-lived intangibles, which are shown as percentage of total company net sales, as they related to the Company's legacy reporting units as discussed earlier in this section under *Impairment of goodwill and indefinite-lived intangibles*.
- (2) Restated for ASU No. 2017-07, "Compensation—Retirement Benefits (Topic 715)". See Note 1 to the Consolidated Financial Statements for more details.

Operating earnings decreased \$22.3 million or 10.5% in fiscal 2020, compared to fiscal 2019. Operating earnings, as a percentage of net sales, decreased 150 basis points in fiscal 2020, compared to fiscal 2019. Excluding the impact of highlighted items, operating earnings in fiscal 2020 decreased 100 basis points primarily due to the September 2019 fire at our Richmond, Kentucky motive power production facility which resulted in missed sales opportunities and higher manufacturing costs, as well as the decline in our organic volume.

The Energy Systems operating earnings, increased \$22.7 million, or 50.1%, in fiscal 2020 compared to fiscal 2019, with the operating margin increasing 80 basis points to 5.0%. This positive impact was primarily due to Alpha's contribution to operating earnings of \$53.2 million or 9.7% of its sales for fiscal 2020, as well as the impact of lower commodity costs.

The Motive Power operating earnings, decreased \$26.0 million, or 15.0%, in fiscal 2020 compared to fiscal 2019, with the operating margin decreasing 150 basis points to 10.9%. The decrease is primarily due to the fire at our Richmond, Kentucky, facility that resulted in missed sales opportunities and higher manufacturing costs.

The Specialty operating earnings, decreased \$1.6 million, or 3.7%, in fiscal 2020 compared to fiscal 2019, with the operating margin decreasing by 230 basis points to 11.1% mainly due to manufacturing inefficiencies at its primary source of product, as that facility attempted to ramp up production.

### Interest Expense

	Fiscal 2020		Fiscal 2019		Increase (Decrease)	
	In Millions	As % Net Sales	In Millions	As % Net Sales	In Millions	%
Interest expense	\$ 43.7	1.4 %	\$ 30.9	1.1 %	\$ 12.8	41.5 %

Interest expense of \$43.7 million in fiscal 2020 (net of interest income of \$2.2 million) was \$12.8 million higher than the \$30.9 million in fiscal 2019 (net of interest income of \$2.1 million).

Our average debt outstanding was \$1,097.9 million in fiscal 2020, compared to our average debt outstanding of \$742.0 million in fiscal 2019. Our average cash interest rate incurred in fiscal 2020 was 3.8% and was 4.1% in fiscal 2019. The increase in interest expense was primarily due to higher average debt incurred to fund the Alpha and NorthStar acquisitions.

In connection with the issuance of the 2027 Notes, we capitalized \$4.6 million of debt issuance costs. Included in interest expense were non-cash charges related to amortization of deferred financing fees of \$1.7 million in fiscal 2020 and \$1.3 million in fiscal 2019.

### Other (Income) Expense, Net

	Fiscal 2020		Fiscal 2019		Increase (Decrease)	
	In Millions	As % Net Sales	In Millions	As % Net Sales	In Millions	%
Other (income) expense, net	\$ (0.5)	— %	\$ (0.5)	— %	\$ —	— %

NM = not meaningful

Other (income) expense, net was income of \$0.5 million in fiscal 2020 compared to income of \$0.5 million in fiscal 2019. Foreign currency losses were \$0.3 million in fiscal 2020 compared to foreign currency gains of \$3.1 million in fiscal 2019.

### Earnings Before Income Taxes

	Fiscal 2020		Fiscal 2019		Increase (Decrease)	
	In Millions	As % Net Sales	In Millions	As % Net Sales	In Millions	%
Earnings before income taxes	\$ 147.0	4.7 %	\$ 182.1	6.5 %	\$ (35.1)	(19.4)%

As a result of the factors discussed above, fiscal 2020 earnings before income taxes were \$147.0 million, a decrease of \$35.1 million or 19.4% compared to fiscal 2019.

**Income Tax Expense**

	Fiscal 2020		Fiscal 2019		Increase (Decrease)	
	In Millions	As % Net Sales	In Millions	As % Net Sales	In Millions	%
Income tax expense	\$ 9.9	0.3 %	\$ 21.6	0.8 %	\$ (11.7)	(54.5)%
Effective tax rate	6.7 %		11.9 %		(5.2)%	

Our effective income tax rate with respect to any period may be volatile based on the mix of income in the tax jurisdictions in which we operate and the amount of our consolidated income before taxes.

On December 22, 2017, the Tax Cuts and Jobs Act ("Tax Act") was enacted into law. Among the significant changes resulting from the law, the Tax Act reduced the U.S. federal income tax rate from 35% to 21% effective January 1, 2018, and required companies to pay a one-time transition tax on unrepatriated cumulative non-U.S. earnings of foreign subsidiaries and created new taxes on certain foreign sourced earnings. The U.S. federal statutory tax rate for fiscal 2020 and 2019 is 21.0%.

The Company's income tax provision consists of federal, state and foreign income taxes. The effective income tax rate was 6.7% in fiscal 2020 compared to the fiscal 2019 effective income tax rate of 11.9%. The rate decrease in fiscal 2020 compared to fiscal 2019 is primarily due to changes in mix of earnings among tax jurisdictions, Swiss tax reform, and items related to the Tax Act in fiscal 2019.

On May 19, 2019, a public referendum held in Switzerland approved the Federal Act on Tax Reform and AHV (Old-Age and Survivors Insurance) Financing (TRAF) as adopted by the Swiss Federal Parliament on September 28, 2018. The Swiss tax reform measures are effective January 1, 2020. Certain provisions of the TRAF were enacted during the second quarter of fiscal 2020. Significant changes in the tax reform include the abolishment of preferential tax regimes for holding companies, domicile companies and mixed companies at the cantonal level. The transitional provisions of the TRAF allow companies to elect tax basis adjustments to fair value, which is used for tax depreciation and amortization purposes resulting in a deduction over the transitional period. We recorded a net deferred tax asset of \$22.5 million during fiscal 2020, related to the amortizable goodwill.

The fiscal 2020 foreign effective income tax rate was (7.4%) on foreign pre-tax income of \$110.7 million compared to effective income tax rate of 12.3% on foreign pre-tax income of \$128.9 million in fiscal 2019. For both fiscal 2020 and 2019, the difference in the foreign effective tax rate versus the U.S. statutory rate of 21% is primarily attributable to lower tax rates in the foreign countries in which we operate. The rate decrease in fiscal 2020 compared to fiscal 2019 is primarily due to Swiss tax reform and changes in the mix of earnings among tax jurisdictions. Income from our Swiss subsidiary comprised a substantial portion of our overall foreign mix of income for both fiscal 2020 and fiscal 2019 and was taxed, excluding the impact from Swiss tax reform, at approximately 3% and 4%, respectively.

**Liquidity and Capital Resources****Cash Flow and Financing Activities**

Cash and cash equivalents at March 31, 2021, 2020 and 2019, were \$451.8 million, \$327.0 million and \$299.2 million, respectively.

Cash provided by operating activities for fiscal 2021, 2020 and 2019, was \$358.4 million, \$253.4 million and \$197.9 million, respectively.



In fiscal 2021, net earnings were \$143.3 million, depreciation and amortization \$94.1 million, stock-based compensation \$19.8 million, non-cash charges relating to exit charges \$10.2 million, primarily relating to the Hagen, Germany plant closure, net gain from the disposal of assets of \$3.9 million (\$4.4 million from the insurance settlement relating to the Richmond fire claim), deferred tax benefit of \$9.0 million and non-cash interest of \$2.1 million. Decrease in primary working capital of \$53.7 million, net of currency translation changes provided a source of funds and are explained below. Prepaid and other current assets provided a source of funds of \$27.3 million, primarily from the receipt of \$29.1 million towards the insurance receivable relating to the Richmond plant claim in fiscal 2020 and the receipt of a working capital adjustment claim of \$2.0 million, relating to an acquisition made several years ago, partially offset by an increase of \$3.8 million in other prepaid expenses. Accrued expenses provided a source of funds of \$32.4 million primarily from payroll related accruals of \$27.8 million, taxes payable of \$4.5 million and selling and other expenses of \$3.3 million, partially offset by payments relating to warranty of \$5.8 million. Other liabilities decreased by \$12.7 million primarily relating to income taxes.

During fiscal 2020, cash provided by operating activities was primarily from net earnings of \$137.1 million, depreciation and amortization of \$87.3 million, non-cash charges relating to impairment of goodwill and other intangible assets of \$44.2 million, restructuring, exit and other charges of \$11.0 million, stock-based compensation of \$20.8 million, provision for bad debts of \$4.8 million and non-cash interest of \$1.7 million, partially offset by deferred taxes of \$16.5 million primarily from the Swiss Tax Reform. Cash provided by earnings adjusted for non-cash items were partially offset by the increase in primary working capital of \$16.4 million, net of currency translation changes. Accrued expenses increased by \$7.1 million, primarily due to payroll accruals of \$8.6 million, sales incentives of \$8.0 million, interest of \$3.9 million, partially offset by payments of \$7.3 million related to the German competition authority matter and \$6.1 million paid to the seller in connection with the Alpha acquisition, for certain reimbursable pre-acquisition items. Prepaid and other current assets increased by \$17.5 million, primarily due to contract assets of \$11.1 million, insurance receivable of \$22.0 million relating to the Richmond plant claim, partially offset by insurance proceeds of \$12.0 million and the receipt of \$4.1 million in connection with the Alpha transaction. Other liabilities decreased by \$12.7 million due to income taxes.

During fiscal 2019, cash provided by operating activities was primarily from net earnings of \$160.5 million, depreciation and amortization of \$63.3 million, non-cash charges relating to write-off of assets of \$26.3 million, stock-based compensation of \$22.6 million, non-cash interest of \$1.3 million and provision for bad debts accounts of \$1.4 million, partially offset by deferred tax benefit of \$6.5 million. Cash provided by earnings as adjusted for non-cash items was partially offset by the increase in primary working capital of \$30.7 million, net of currency translation changes, and a decrease in other long-term liabilities of \$14.9 million, primarily related to income taxes. Prepaid and other current assets, primarily comprising of contract assets, also resulted in a decrease of \$20.2 million to operating cash.

As explained in the discussion of our use of “non-GAAP financial measures,” we monitor the level and percentage of primary working capital to sales. Primary working capital was \$797.9 million (yielding a primary working capital percentage of 24.5%) at March 31, 2021 and \$833.5 million (yielding a primary working capital percentage of 26.7%) at March 31, 2020. The primary working capital percentage of 24.5% at March 31, 2021 is 220 basis points lower than that for March 31, 2020, and 170 basis points lower than that for March 31, 2019. The large decrease in primary working capital dollars, compared to the prior year periods is primarily due to improved accounts receivable collections, improved inventory turns and increased accounts payable primarily due to our TPPL plant ramp-up.

Primary Working Capital and Primary Working Capital percentages at March 31, 2021, 2020 and 2019 are computed as follows:

Balance at March 31, <sup>(1)(2)</sup>	Trade Receivables	Inventory	Accounts Payable	Primary Working Capital	Quarter Revenue Annualized	Primary Working Capital (%)
	(in millions)					
2021	\$ 603.6	\$ 518.2	\$ (323.9)	\$ 797.9	\$ 3,254.2	24.5 %
2020	595.9	519.5	(281.9)	833.5	3,127.2	26.7
2019	624.1	503.9	(292.4)	835.6	3,186.4	26.2

(1) The Company acquired NorthStar on September 30, 2019, as disclosed in Note 4 to the Consolidated Financial Statements. Therefore, the primary working capital and related calculations as of March 31, 2019 did not include NorthStar's primary working capital and its components.

(2) The inclusion of NorthStar from its respective date of acquisition did not have a material impact on the Company's consolidated primary working capital as of March 31, 2020.

Cash used in investing activities for fiscal 2021, 2020 and 2019 was \$65.0 million, \$274.8 million and \$723.9 million, respectively. During fiscal 2021 we did not make any acquisitions.

During fiscal 2020 we acquired NorthStar for \$176.5 million.

During fiscal 2019, we acquired Alpha for a total purchase consideration of \$742.5 million, of which \$650.0 million was paid in cash and the balance, after adjusting for working capital of \$0.8 million due from seller, was settled by issuing 1,177,630 shares of EnerSys common stock at a closing date fair value of \$93.3 million. See Note 4 to the Consolidated Financial Statements for more details.

In fiscal 2019, we also had a minor acquisition resulting in a cash outflow of \$5.4 million.

Capital expenditures were \$70.0 million, \$101.4 million and \$70.4 million in fiscal 2021, 2020 and 2019, respectively.

Financing activities used cash of \$188.7 million in fiscal 2021. During fiscal 2021, we borrowed \$102.0 million under the Amended 2017 Revolver and repaid \$210.0 million of the Amended 2017 Revolver. Repayment on the Amended 2017 Term Loan was \$39.6 million and net payments on short-term debt were \$15.9 million. Proceeds from stock options during fiscal 2021 were \$9.1 million. Payment of cash dividends to our stockholders were \$29.8 million, payment of taxes related to net share settlement of equity awards were \$5.2 million.

During fiscal 2020, financing activities provided cash of \$62.7 million. We issued our 2027 Notes for \$300 million, the proceeds of which were utilized to pay down the existing revolver borrowings. We borrowed \$386.7 million under the Amended 2017 Revolver and repaid \$517.7 million of the Amended 2017 Revolver. Repayment on the Amended 2017 Term Loan was \$28.1 million and net payments on short-term debt were \$5.3 million. Treasury stock open market purchases were \$34.6 million, payment of cash dividends to our stockholders were \$29.7 million and payment of taxes related to net share settlement of equity awards were \$6.4 million.

During fiscal 2019, financing activities provided cash of \$346.6 million. We borrowed \$531.1 million under the Amended 2017 Revolver and \$299.1 million under the Amended 2017 Term Loan, primarily to fund the Alpha acquisition and repaid \$427.6 million of the Amended 2017 Revolver and \$11.7 million on the Amended 2017 Term Loan. Treasury stock open market purchases were \$56.4 million, payment of cash dividends to our stockholders were \$29.7 million and payment of taxes related to net share settlement of equity awards were \$3.6 million. Proceeds from stock options were \$9.0 million and net borrowings on short-term debt were \$37.4 million.

As a result of the above, total cash and cash equivalents increased by \$124.8 million from \$327.0 million at March 31, 2020 to \$451.8 million at March 31, 2021.

In addition to cash flows from operating activities, we had available committed and uncommitted credit lines of approximately \$820 million at March 31, 2021 to cover short-term liquidity requirements. Our Amended Credit Facility is committed through September 30, 2022, as long as we continue to comply with the covenants and conditions of the credit facility agreement. We have \$698 million in available committed credit lines under our Amended Credit Facility at March 31, 2021.

#### *Compliance with Debt Covenants*

All obligations under our Amended Credit Facility are secured by, among other things, substantially all of our U.S. assets. The Amended Credit Facility contains various covenants which, absent prepayment in full of the indebtedness and other obligations, or the receipt of waivers, limit our ability to conduct certain specified business transactions, buy or sell assets out of the ordinary course of business, engage in sale and leaseback transactions, pay dividends and take certain other actions. There are no prepayment penalties on loans under this credit facility.

We are in compliance with all covenants and conditions under our Amended Credit Facility and Senior Notes. We believe that we will continue to comply with these covenants and conditions, and that we have the financial resources and the capital available to fund the foreseeable organic growth in our business and to remain active in pursuing further acquisition opportunities. See Note 10 to the Consolidated Financial Statements included in this Annual Report on Form 10-K.

**Off-Balance Sheet Arrangements**

The Company did not have any off-balance sheet arrangements during any of the periods covered by this report.

**Contractual Obligations and Commercial Commitments**

At March 31, 2021, we had certain cash obligations, which are due as follows:

	Total	Less than 1 year	2 to 3 years	4 to 5 years	After 5 years
	(in millions)				
Debt obligations	\$ 976.0	\$ 45.6	\$ 630.4	\$ —	\$ 300.0
Short-term debt	34.2	34.2	—	—	—
Interest on debt	240.9	33.7	51.1	26.3	129.8
Operating leases	77.1	24.7	27.3	12.1	13.0
Tax Act - Transition Tax	59.2	6.2	18.3	34.7	—
Pension benefit payments and profit sharing	39.8	3.2	6.4	7.9	22.3
Restructuring and Hagen exit related accruals	27.2	27.2	—	—	—
Purchase commitments	11.3	11.3	—	—	—
Lead and foreign currency forward contracts	2.6	2.6	—	—	—
Finance lease obligations, including interest	0.7	0.3	0.4	—	—
<b>Total</b>	<b>\$ 1,469.0</b>	<b>\$ 189.0</b>	<b>\$ 733.9</b>	<b>\$ 81.0</b>	<b>\$ 465.1</b>

Due to the uncertainty of future cash outflows, uncertain tax positions have been excluded from the above table.

Under our Amended Credit Facility and other credit arrangements, we had outstanding standby letters of credit of \$3.0 million as of March 31, 2021.

**Credit Facilities and Leverage**

Our focus on working capital management and cash flow from operations is measured by our ability to reduce debt and reduce our leverage ratios.

In the third quarter of fiscal 2020, we issued \$300 million in aggregate principal amount of our 4.375% Senior Notes due 2027 (the “2027 Notes”). Proceeds from this offering, net of debt issuance costs were \$296.3 million and were utilized to pay down the balance outstanding on the revolver borrowings.

In the second quarter of fiscal 2018, we entered into the 2017 Credit Facility that comprised a \$600.0 million senior secured revolving credit facility (“2017 Revolver”) and a \$150.0 million senior secured term loan (“2017 Term Loan”) with a maturity date of September 30, 2022. On December 7, 2018, we amended the 2017 Credit Facility (as amended, the “Amended Credit Facility”). The Amended Credit Facility consists of \$449.1 million senior secured term loans (the “Amended 2017 Term Loan”), including a CAD 133.1 million (\$99.1 million) term loan and a \$700.0 million senior secured revolving credit facility (the “Amended 2017 Revolver”). The amendment resulted in an increase of the 2017 Term Loan and the 2017 Revolver by \$299.1 million and \$100.0 million, respectively.

Shown below are the leverage ratios at March 31, 2021 and 2020, in connection with the Amended Credit Facility.

The total net debt, as defined under the Amended Credit Facility is \$615.0 million for fiscal 2021 and is 1.7 times adjusted EBITDA (non-GAAP), compared to total net debt of \$905.6 million and 2.3 times adjusted EBITDA (non-GAAP) for fiscal 2020.

The following table provides a reconciliation of net earnings to EBITDA (non-GAAP) and adjusted EBITDA (non-GAAP) for March 31, 2021 and 2020, in connection with the Amended Credit Facility:

	Fiscal 2021	Fiscal 2020
	(in millions, except ratios)	
Net earnings as reported	\$ 143.3	\$ 137.1
Add back:		
Depreciation and amortization	94.1	87.3
Interest expense	38.5	43.7
Income tax expense	26.8	9.9
EBITDA (non GAAP) <sup>(1)</sup>	\$ 302.7	\$ 278.0
Adjustments per credit agreement definitions <sup>(2)</sup>	56.3	123.6
Adjusted EBITDA (non-GAAP) per credit agreement <sup>(1)</sup>	\$ 359.0	\$ 401.6
Total net debt <sup>(3)</sup>	\$ 615.0	\$ 905.6
Leverage ratios <sup>(4)</sup> :		
Total net debt/adjusted EBITDA ratio	1.7 X	2.3 X
Maximum ratio permitted	3.5 X	3.5 X
Consolidated interest coverage ratio <sup>(5)</sup>	9.8 X	9.1 X
Minimum ratio required	3.0 X	3.0 X

- (1) We have included EBITDA (non-GAAP) and adjusted EBITDA (non-GAAP) because our lenders use them as key measures of our performance. EBITDA is defined as earnings before interest expense, income tax expense, depreciation and amortization. EBITDA is not a measure of financial performance under GAAP and should not be considered an alternative to net earnings or any other measure of performance under GAAP or to cash flows from operating, investing or financing activities as an indicator of cash flows or as a measure of liquidity. Our calculation of EBITDA may be different from the calculations used by other companies, and therefore comparability may be limited. Certain financial covenants in our Amended Credit Facility are based on EBITDA, subject to adjustments, which are shown above. Continued availability of credit under our Amended Credit Facility is critical to our ability to meet our business plans. We believe that an understanding of the key terms of our credit agreement is important to an investor's understanding of our financial condition and liquidity risks. Failure to comply with our financial covenants, unless waived by our lenders, would mean we could not borrow any further amounts under our revolving credit facility and would give our lenders the right to demand immediate repayment of all outstanding revolving credit and term loans. We would be unable to continue our operations at current levels if we lost the liquidity provided under our credit agreements. Depreciation and amortization in this table excludes the amortization of deferred financing fees, which is included in interest expense.
- (2) The \$56.3 million adjustment to EBITDA in fiscal 2021 primarily related to \$19.8 million of non-cash stock compensation, \$33.2 million of restructuring and other exit charges, business integration costs of \$7.3 million, partially offset by \$3.9 million of gain (\$4.4 million gain less insurance deductibles) relating to the final settlement of the Richmond, KY fire claim. The \$123.6 million adjustment to EBITDA in fiscal 2020 primarily related to impairment of goodwill and other intangible assets of \$44.2 million, \$20.8 million of non-cash stock compensation, inclusion of \$18.5 million of six months of pro forma earnings of NorthStar, \$20.8 million of restructuring and other exit charges and \$1.9 million of inventory adjustments (fair value step up relating to the NorthStar transaction), \$14.3 million for insurance reimbursement for business interruption due to the Richmond, KY fire and other charges of \$3.1 million.
- (3) Debt includes finance lease obligations and letters of credit and is net of all U.S. cash and cash equivalents and excludes \$53 million of foreign cash and investments, as defined in the Amended Credit Facility. In fiscal 2021, the amounts deducted in the calculation of net debt were U.S. cash and cash equivalents and foreign cash investments of \$399 million, and in fiscal 2020, were \$262 million.
- (4) These ratios are included to show compliance with the leverage ratios set forth in our credit facilities. We show both our current ratios and the maximum ratio permitted or minimum ratio required under our Amended Credit Facility, for fiscal 2021 and fiscal 2020, respectively.
- (5) As defined in the Amended Credit Facility, interest expense used in the consolidated interest coverage ratio excludes non-cash interest of \$2.1 million and \$1.7 million for fiscal 2021 and fiscal 2020, respectively.

## **RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS**

See Note 1 to the Consolidated Financial Statements - Summary of Significant Accounting Policies for a description of certain recently issued accounting standards that were adopted or are pending adoption that could have a significant impact on our Consolidated Financial Statements or the Notes to the Consolidated Financial Statements.

## **Related Party Transactions**

None.

## **Sequential Quarterly Information**

The first half of fiscal 2021 was negatively impacted by COVID-19 but the Company rebounded in the second half of the year, which also saw the closure of our Hagen facility in Germany. The Company incurred exit charges of \$11.7 million in the third quarter and \$19.6 million in the fourth quarter, primarily for severance payments, related to this closure. Gross margins remained relatively stable throughout the two years. In the fourth quarter of fiscal 2020, the Company recorded impairment charges relating to goodwill in Asia of \$39.7 million and trademarks in EMEA of \$4.5 million in the fourth quarter of fiscal 2020. The Company also had an income tax benefit of \$21.0 million in the second quarter of fiscal 2020, on account of the Swiss tax reform.

We have also included the operating results of NorthStar, in our third and fourth quarter results, for the period commencing on September 30, 2019 (the date of acquisition). NorthStar's sales for the third and fourth quarters of fiscal 2020 were \$27.8 million and \$26.7 million, respectively, while net loss, for the same periods were \$13.5 million and \$0.5 million, respectively. NorthStar sales for the four quarters of fiscal 2021 were \$29.9 million, \$27.3 million, \$17.5 million and \$10.3 million, respectively.

	Fiscal 2021				Fiscal 2020			
	July 4, 2020 1st Qtr.	Oct. 4, 2020 2nd Qtr.	Jan. 3, 2020 3rd Qtr.	March 31, 2021 4th Qtr.	June 30, 2019 1st Qtr.	Sept. 29, 2019 2nd Qtr.	Dec. 29, 2019 3rd Qtr.	March 31, 2020 4th Qtr.
	(in millions, except share and per share amounts)							
Net sales	\$ 704.9	\$ 708.4	\$ 751.1	\$ 813.5	\$ 780.2	\$ 762.1	\$ 763.7	\$ 781.8
Cost of goods sold	529.9	530.9	561.8	616.2	578.7	564.8	574.6	582.9
Inventory step up to fair value relating to acquisitions and exit activities	—	—	—	—	—	—	3.8	(1.9)
Gross profit	175.0	177.5	189.3	197.3	201.5	197.3	185.3	200.8
Operating expenses	120.4	119.0	118.0	124.9	130.8	132.3	132.8	133.8
Restructuring, exit and other charges	1.4	3.1	15.2	20.7	2.4	6.3	9.4	2.7
Impairment of goodwill	—	—	—	—	—	—	—	39.7
Impairment of indefinite-lived intangibles	—	—	—	—	—	—	—	4.5
Operating earnings	53.2	55.4	56.1	51.7	68.3	58.7	43.1	20.1
Interest expense	10.2	9.8	9.4	9.1	10.9	10.1	11.1	11.6
Other (income) expense, net	1.4	4.1	2.9	(0.6)	(1.2)	0.2	(0.6)	1.1
Earnings before income taxes	41.6	41.5	43.8	43.2	58.6	48.4	32.6	7.4
Income tax expense (benefit)	6.4	5.8	5.2	9.4	10.0	(14.3)	5.3	8.9
Net earnings (loss)	35.2	35.7	38.6	33.8	48.6	62.7	27.3	(1.5)
Net earnings attributable to noncontrolling interests	—	—	—	—	—	—	—	—
Net earnings (loss) attributable to EnerSys stockholders	\$ 35.2	\$ 35.7	\$ 38.6	\$ 33.8	\$ 48.6	\$ 62.7	\$ 27.3	\$ (1.5)
Net earnings (loss) per common share attributable to EnerSys stockholders:								
Basic	\$ 0.83	\$ 0.84	\$ 0.91	\$ 0.79	\$ 1.14	\$ 1.48	\$ 0.65	\$ (0.04)
Diluted	\$ 0.82	\$ 0.83	\$ 0.89	\$ 0.78	\$ 1.13	\$ 1.47	\$ 0.64	\$ (0.04)
Weighted-average number of common shares outstanding:								
Basic	42,385,888	42,521,659	42,599,834	42,686,413	42,656,339	42,392,039	42,286,641	42,312,315
Diluted	42,932,054	43,087,455	43,290,403	43,587,698	43,118,434	42,708,082	42,838,969	42,312,315

## Net Sales

Quarterly net sales by segment were as follows:

	Fiscal 2021				Fiscal 2020			
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
	(in millions)							
<b>Net sales by segment:</b>								
Energy Systems	\$ 353.4	\$ 340.8	\$ 337.2	\$ 348.8	\$ 353.8	\$ 342.9	\$ 345.5	\$ 315.1
Motive Power	262.8	263.8	304.4	332.8	344.4	335.3	315.5	353.0
Specialty	88.7	103.8	109.5	131.9	82.0	83.9	102.7	113.7
Total	<u>\$ 704.9</u>	<u>\$ 708.4</u>	<u>\$ 751.1</u>	<u>\$ 813.5</u>	<u>\$ 780.2</u>	<u>\$ 762.1</u>	<u>\$ 763.7</u>	<u>\$ 781.8</u>
<b>Segment net sales as % of total:</b>								
Energy Systems	50.1 %	48.1 %	44.9 %	42.9 %	45.4 %	45.0 %	45.3 %	40.3 %
Motive Power	37.3	37.2	40.5	40.9	44.1	44.0	41.3	45.2
Specialty	12.6	14.7	14.6	16.2	10.5	11.0	13.4	14.5
Total	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### Market Risks

Our cash flows and earnings are subject to fluctuations resulting from changes in raw material costs, foreign currency exchange rates and interest rates. We manage our exposure to these market risks through internally established policies and procedures and, when deemed appropriate, through the use of derivative financial instruments. Our policy does not allow speculation in derivative instruments for profit or execution of derivative instrument contracts for which there are no underlying exposures. We do not use financial instruments for trading purposes and are not a party to any leveraged derivatives. We monitor our underlying market risk exposures on an ongoing basis and believe that we can modify or adapt our hedging strategies as needed.

### Counterparty Risks

We have entered into lead forward purchase contracts and foreign exchange forward and purchased option contracts to manage the risk associated with our exposures to fluctuations resulting from changes in raw material costs and foreign currency exchange rates. The Company's agreements are with creditworthy financial institutions. Those contracts that result in a liability position at March 31, 2021 are \$2.6 million (pre-tax). Those contracts that result in an asset position at March 31, 2021 are \$1.0 million (pre-tax) and the vast majority of these will settle within one year. The impact on the Company due to nonperformance by the counterparties has been evaluated and not deemed material.

### Interest Rate Risks

We are exposed to changes in variable U.S. interest rates on borrowings under our credit agreements, as well as short term borrowings in our foreign subsidiaries.

A 100 basis point increase in interest rates would have increased annual interest expense by approximately \$4.1 million on the variable rate portions of our debt.

### Commodity Cost Risks—Lead Contracts

We have a significant risk in our exposure to certain raw materials. Our largest single raw material cost is for lead, for which the cost remains volatile. In order to hedge against increases in our lead cost, we have entered into forward contracts with

financial institutions to fix the price of lead. A vast majority of such contracts are for a period not extending beyond one year. We had the following contracts outstanding at the dates shown below:

Date	\$'s Under Contract (in millions)	# Pounds Purchased (in millions)	Average Cost/Pound	Approximate % of Lead Requirements <sup>(1)</sup>
March 31, 2021	\$50.6	54.5	\$0.93	10%
March 31, 2020	30.1	35.0	0.86	6
March 31, 2019	39.2	42.0	0.93	7

(1) Based on the fiscal year lead requirements for the periods then ended.

We estimate that a 10% increase in our cost of lead would have increased our cost of goods sold by approximately \$54 million for the fiscal year ended March 31, 2021.

#### *Foreign Currency Exchange Rate Risks*

We manufacture and assemble our products globally in the Americas, EMEA and Asia. Approximately 40% of our sales and related expenses are transacted in foreign currencies. Our sales revenue, production costs, profit margins and competitive position are affected by the strength of the currencies in countries where we manufacture or purchase goods relative to the strength of the currencies in countries where our products are sold. Additionally, as we report our financial statements in U.S. dollars, our financial results are affected by the strength of the currencies in countries where we have operations relative to the strength of the U.S. dollar. The principal foreign currencies in which we conduct business are the Euro, Swiss franc, British pound, Polish zloty, Chinese renminbi, Canadian dollar, Brazilian Real and Mexican peso.

We quantify and monitor our global foreign currency exposures. Our largest foreign currency exposure is from the purchase and conversion of U.S. dollar based lead costs into local currencies in Europe. Additionally, we have currency exposures from intercompany financing and intercompany and third party trade transactions. On a selective basis, we enter into foreign currency forward contracts and purchase option contracts to reduce the impact from the volatility of currency movements; however, we cannot be certain that foreign currency fluctuations will not impact our operations in the future.

We hedge approximately 10% - 15% of the nominal amount of our known foreign exchange transactional exposures. We primarily enter into foreign currency exchange contracts to reduce the earnings and cash flow impact of the variation of non-functional currency denominated receivables and payables. The vast majority of such contracts are for a period not extending beyond one year.

Gains and losses resulting from hedging instruments offset the foreign exchange gains or losses on the underlying assets and liabilities being hedged. The maturities of the forward exchange contracts generally coincide with the settlement dates of the related transactions. Realized and unrealized gains and losses on these contracts are recognized in the same period as gains and losses on the hedged items. We also selectively hedge anticipated transactions that are subject to foreign exchange exposure, primarily with foreign currency exchange contracts, which are designated as cash flow hedges in accordance with Topic 815 - Derivatives and Hedging.

At March 31, 2021 and 2020, we estimate that an unfavorable 10% movement in the exchange rates would have adversely changed our hedge valuations by approximately \$3.7 million and \$3.0 million, respectively.



**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA****Contents**

EnerSys

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

	<u>Page</u>
<a href="#">Report of Independent Registered Public Accounting Firm (on Consolidated Financial Statements)</a>	58
<a href="#">Report of Independent Registered Public Accounting Firm (on Internal Control Over Financial Reporting)</a>	60
Audited Consolidated Financial Statements	
<a href="#">Consolidated Balance Sheets as of March 31, 2021 and 2020</a>	61
<a href="#">Consolidated Statements of Income for the Fiscal Years Ended March 31, 2021, 2020 and 2019</a>	62
<a href="#">Consolidated Statements of Comprehensive Income for the Fiscal Years Ended March 31, 2021, 2020 and 2019</a>	63
<a href="#">Consolidated Statements of Changes in Equity for the Fiscal Years Ended March 31, 2021, 2020 and 2019</a>	64
<a href="#">Consolidated Statements of Cash Flows for the Fiscal Years Ended March 31, 2021, 2020 and 2019</a>	66
Notes to Consolidated Financial Statements	67
<a href="#">1. Summary of Significant Accounting Policies</a>	67
<a href="#">2. Revenue Recognition</a>	75
<a href="#">3. Leases</a>	76
<a href="#">4. Acquisitions</a>	78
<a href="#">5. Inventories</a>	80
<a href="#">6. Property, Plant, and Equipment</a>	80
<a href="#">7. Goodwill and Other Intangible Assets</a>	81
<a href="#">8. Prepaid and Other Current Assets</a>	82
<a href="#">9. Accrued Expenses</a>	83
<a href="#">10. Debt</a>	83
<a href="#">11. Other Liabilities</a>	85
<a href="#">12. Fair Value Measurements</a>	86
<a href="#">13. Derivative Financial Instruments</a>	88
<a href="#">14. Income Taxes</a>	90
<a href="#">15. Retirement Plans</a>	93
<a href="#">16. Stockholders' Equity</a>	98
<a href="#">17. Stock-Based Compensation</a>	100
<a href="#">18. Earnings Per Share</a>	103
<a href="#">19. Commitments, Contingencies and Litigation</a>	104
<a href="#">20. Restructuring, Exit and Other Charges</a>	104
<a href="#">21. Warranty</a>	108
<a href="#">22. Other (Income) Expense, Net</a>	108
<a href="#">23. Business Segments</a>	108
<a href="#">24. Quarterly Financial Data (Unaudited)</a>	110
<a href="#">25. Subsequent Events</a>	111

## Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of EnerSys

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of EnerSys (the Company) as of March 31, 2021 and 2020, the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the three years in the period ended March 31, 2021, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at March 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of March 31, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated May 26, 2021 expressed an unqualified opinion thereon.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

#### **Valuation of Indefinite-Lived Intangible Assets**

##### *Description of the Matter*

As reflected in the Company's consolidated financial statements, the Company's indefinite-lived intangible assets were \$147.2 million as of March 31, 2021 and included \$56.0 million of trademarks recognized in connection with the acquisition of the Alpha Group. As discussed in Note 1 to the consolidated financial statements, indefinite-lived intangible assets are tested for impairment at least annually.

Auditing management's annual quantitative indefinite-lived intangible assets impairment tests was complex and involved a high degree of subjectivity due to the significant estimation required in determining the fair value of the indefinite-lived intangible assets. The fair value estimates related to the Company's indefinite-lived intangible assets were sensitive to significant assumptions such as discount rates, revenue growth rates, royalty rates, and terminal growth rates, which are forward-looking and could be affected by future economic and market conditions.

*How We Addressed  
the Matter in Our  
Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's annual quantitative indefinite-lived intangible assets impairment tests. For example, we tested controls over management's review of the valuation models, the significant assumptions used to develop the estimate including forecasted revenue growth rates and royalty rates, and the completeness and accuracy of the data used in the valuations.

To test the estimated fair value of the Company's indefinite-lived intangible assets, we performed audit procedures that included, among other procedures, assessing fair value methodologies and testing the significant assumptions discussed above and the completeness and accuracy of the underlying data used by the Company in its analyses. For example, we compared the significant assumptions used by management to current industry, market and economic trends, to historical results of the Company's business and other guideline companies within the same industry and to other relevant factors. We assessed the historical accuracy of management's estimates and performed sensitivity analyses of significant assumptions to evaluate the changes in the fair value of the indefinite-lived intangible assets that would result from changes in the assumptions. We also involved internal valuation specialists to assist in our evaluation of the significant assumptions and methodologies used by the Company.

***Income Taxes - Uncertain Tax Positions***

*Description of the  
Matter*

As discussed in Note 14 to the Company's consolidated financial statements, the Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction, and various states and foreign jurisdictions. Also as disclosed in Note 14, approximately 67% of the Company's consolidated earnings before taxes are generated in foreign jurisdictions. Uncertainty in a tax position taken or to be taken on a tax return may arise as tax laws are subject to interpretation. The Company must identify its uncertain tax positions and uses significant judgment in (1) determining whether a tax position's technical merits are more-likely-than-not to be sustained and (2) measuring the amount of tax benefit that qualifies for recognition. As of March 31, 2021, the Company accrued liabilities of \$6.8 million for uncertain tax positions.

Auditing the completeness of the Company's uncertain tax positions and the evaluation of the technical merits of those uncertain tax positions is complex given the scope of its international operations and the significant judgment required in evaluating the technical merits of the Company's uncertain tax positions.

*How We Addressed  
the Matter in Our  
Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of the Company's controls over identifying uncertain tax positions and evaluating the technical merits of those positions. For example, we tested controls over the review of the Company's foreign operations, including the tax positions taken by those operations, differences between statutory and effective tax rates, permanent differences impacting taxable income, and the monitoring of tax audits.

We involved our tax professionals with subject matter expertise in the areas of international taxation and transfer pricing to assess the technical merits of the Company's tax positions. This included assessing the Company's correspondence with the relevant tax authorities and evaluating income tax opinions or other third-party advice obtained by the Company. We also used our knowledge of, and experience with, the application of international and local income tax laws by the relevant income tax authorities to evaluate the Company's accounting for those tax positions. We analyzed the Company's assumptions and data used to determine the amount of tax benefit to recognize and tested the accuracy of the calculations. We also evaluated the Company's income tax disclosures included in Note 14 to the consolidated financial statements in relation to these matters.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1998.

Philadelphia, Pennsylvania  
May 26, 2021

## Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of EnerSys

### Opinion on Internal Control over Financial Reporting

We have audited EnerSys' internal control over financial reporting as of March 31, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, EnerSys (the Company) maintained, in all material respects, effective internal control over financial reporting as of March 31, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2021 consolidated financial statements of the Company and our report dated May 26, 2021 expressed an unqualified opinion thereon.

### Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying *Management Report on Internal Control over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania  
May 26, 2021

**EnerSys**  
**Consolidated Balance Sheets**  
(In Thousands, Except Share and Per Share Data)

	March 31,	
	2021	2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 451,808	\$ 326,979
Accounts receivable, net of allowance for doubtful accounts (2021–\$12,992; 2020–\$15,246)	603,581	595,873
Inventories	518,247	519,460
Prepaid and other current assets	117,681	120,593
<b>Total current assets</b>	<b>1,691,317</b>	<b>1,562,905</b>
Property, plant, and equipment, net	497,056	480,014
Goodwill	705,593	663,936
Other intangible assets, net	430,898	455,685
Deferred taxes	65,212	55,803
Other assets	72,721	83,355
<b>Total assets</b>	<b>\$ 3,462,797</b>	<b>\$ 3,301,698</b>
<b>Liabilities and Equity</b>		
Current liabilities:		
Short-term debt	\$ 34,153	\$ 46,544
Current portion of finance leases	236	162
Accounts payable	323,876	281,873
Accrued expenses	318,723	271,740
<b>Total current liabilities</b>	<b>676,988</b>	<b>600,319</b>
Long-term debt, net of unamortized debt issuance costs	969,618	1,104,731
Finance leases	435	407
Deferred taxes	76,412	78,363
Other liabilities	195,768	213,816
<b>Total liabilities</b>	<b>1,919,221</b>	<b>1,997,636</b>
Commitments and contingencies		
Equity:		
Preferred Stock, \$0.01 par value, 1,000,000 shares authorized, no shares issued or outstanding at March 31, 2021 and at March 31, 2020	—	—
Common Stock, \$0.01 par value per share, 135,000,000 shares authorized, 55,552,810 shares issued and 42,753,020 shares outstanding at March 31, 2021; 55,114,808 shares issued and 42,323,305 shares outstanding at March 31, 2020	555	551
Additional paid-in capital	554,168	529,100
Treasury stock at cost, 12,799,790 shares held as of March 31, 2021 and 12,791,503 shares held as of March 31, 2020	(563,481)	(564,376)
Retained earnings	1,669,751	1,556,980
Accumulated other comprehensive loss	(115,883)	(215,006)
Contra equity - indemnification receivable	(5,355)	(6,724)
<b>Total EnerSys stockholders' equity</b>	<b>1,539,755</b>	<b>1,300,525</b>
Nonredeemable noncontrolling interests	3,821	3,537
<b>Total equity</b>	<b>1,543,576</b>	<b>1,304,062</b>
<b>Total liabilities and equity</b>	<b>\$ 3,462,797</b>	<b>\$ 3,301,698</b>

See accompanying notes.

**EnerSys**  
**Consolidated Statements of Income**  
(In Thousands, Except Share and Per Share Data)

	Fiscal year ended March 31,		
	2021	2020	2019
Net sales	\$ 2,977,932	\$ 3,087,868	\$ 2,808,017
Cost of goods sold	2,238,782	2,301,148	2,104,612
Inventory step up to fair value relating to acquisitions and exit activities	—	1,854	10,379
Gross profit	739,150	784,866	693,026
Operating expenses	482,401	529,643	441,415
Restructuring and other exit charges	40,374	20,766	34,709
Impairment of goodwill	—	39,713	—
Impairment of indefinite-lived intangibles	—	4,549	—
Legal proceedings charge, net	—	—	4,437
Operating earnings	216,375	190,195	212,465
Interest expense	38,436	43,673	30,868
Other (income) expense, net	7,804	(415)	(614)
Earnings before income taxes	170,135	146,937	182,211
Income tax expense	26,761	9,821	21,584
Net earnings	143,374	137,116	160,627
Net earnings attributable to noncontrolling interests	—	—	388
Net earnings attributable to EnerSys stockholders	\$ 143,374	\$ 137,116	\$ 160,239
Net earnings per common share attributable to EnerSys stockholders:			
Basic	\$ 3.37	\$ 3.23	\$ 3.79
Diluted	\$ 3.32	\$ 3.20	\$ 3.73
Dividends per common share	\$ 0.70	\$ 0.70	\$ 0.70
Weighted-average number of common shares outstanding:			
Basic	42,548,449	42,411,834	42,335,023
Diluted	43,224,403	42,896,775	43,008,952

See accompanying notes.

**EnerSys**  
**Consolidated Statements of Comprehensive Income**  
**(In Thousands)**

	Fiscal year ended March 31,		
	2021	2020	2019
Net earnings	\$ 143,374	\$ 137,116	\$ 160,627
Other comprehensive (loss) income:			
Net unrealized gain (loss) on derivative instruments, net of tax	6,283	(5,793)	3,295
Pension funded status adjustment, net of tax	1,847	(2,003)	1,712
Foreign currency translation adjustment	91,277	(64,721)	(106,555)
Total other comprehensive gain (loss), net of tax	99,407	(72,517)	(101,548)
Total comprehensive income	242,781	64,599	59,079
Comprehensive gain (loss) attributable to noncontrolling interests	284	(193)	(195)
Comprehensive income attributable to EnerSys stockholders	\$ 242,497	\$ 64,792	\$ 59,274

See accompanying notes.

**EnerSys**  
**Consolidated Statements of Changes in Equity**

<i>(In Thousands, Except Per Share Data)</i>	Preferred Stock	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Contra- Equity	Total EnerSys Stockholders' Equity	Non- redeemable Non- Controlling Interests	Total Equity
<b>Balance at March 31, 2018</b>	\$ —	\$ 546	\$ 477,288	\$ (560,991)	\$ 1,320,549	\$ (41,717)	\$ —	1,195,675	\$ 5,436	1,201,111
Stock-based compensation	—	—	22,608	—	—	—	—	22,608	—	22,608
Exercise of stock options	—	2	9,046	—	—	—	—	9,048	—	9,048
Shares issued under equity awards (taxes paid related to net share settlement of equity awards), net	—	—	(3,630)	—	—	—	—	(3,630)	—	(3,630)
Purchase of common stock	—	—	—	(56,436)	—	—	—	(56,436)	—	(56,436)
Reissuance of treasury stock, on LIFO basis, towards Alpha purchase consideration	—	—	6,805	86,463	—	—	—	93,268	—	93,268
Reissuance of treasury stock towards employee stock purchase plan	—	—	—	204	—	—	—	204	—	204
Contra equity - indemnification receivable for acquisition related tax liability	—	—	—	—	—	—	(7,840)	(7,840)	—	(7,840)
Other	—	—	(141)	—	—	—	—	(141)	—	(141)
Net earnings	—	—	—	—	160,239	—	—	160,239	388	160,627
Dividends (\$0.70 per common share)	—	—	720	—	(30,463)	—	—	(29,743)	—	(29,743)
Dissolution of joint venture	—	—	—	—	—	—	—	—	(1,511)	(1,511)
Other comprehensive income:										
Pension funded status adjustment (net of tax benefit of \$120)	—	—	—	—	—	1,712	—	1,712	—	1,712
Net unrealized gain (loss) on derivative instruments (net of tax expense of \$1,006)	—	—	—	—	—	3,295	—	3,295	—	3,295
Foreign currency translation adjustment	—	—	—	—	—	(105,972)	—	(105,972)	(583)	(106,555)
<b>Balance at March 31, 2019</b>	<b>\$ —</b>	<b>\$ 548</b>	<b>\$ 512,696</b>	<b>\$ (530,760)</b>	<b>\$ 1,450,325</b>	<b>\$ (142,682)</b>	<b>\$ (7,840)</b>	<b>\$ 1,282,287</b>	<b>\$ 3,730</b>	<b>\$ 1,286,017</b>
Stock-based compensation	—	—	20,780	—	—	—	—	20,780	—	20,780
Exercise of stock options	—	3	1,414	—	—	—	—	1,417	—	1,417
Shares issued under equity awards (taxes paid related to net share settlement of equity awards), net	—	—	(6,393)	—	—	—	—	(6,393)	—	(6,393)
Purchase of common stock	—	—	—	(34,561)	—	—	—	(34,561)	—	(34,561)
Reissuance of treasury stock towards employee stock purchase plan	—	—	(73)	945	—	—	—	872	—	872
Contra equity - adjustment to indemnification receivable for acquisition related tax liability	—	—	—	—	—	—	1,116	1,116	—	1,116
Other	—	—	(80)	—	—	—	—	(80)	—	(80)
Net earnings	—	—	—	—	137,116	—	—	137,116	—	137,116
Dividends (\$0.70 per common share)	—	—	756	—	(30,461)	—	—	(29,705)	—	(29,705)
Other comprehensive income:										
Pension funded status adjustment (net of tax expense of \$468)	—	—	—	—	—	(2,003)	—	(2,003)	—	(2,003)
Net unrealized gain (loss) on derivative instruments (net of tax benefit of \$1,793)	—	—	—	—	—	(5,793)	—	(5,793)	—	(5,793)
Foreign currency translation adjustment	—	—	—	—	—	(64,528)	—	(64,528)	(193)	(64,721)
<b>Balance at March 31, 2020</b>	<b>\$ —</b>	<b>\$ 551</b>	<b>\$ 529,100</b>	<b>\$ (564,376)</b>	<b>\$ 1,556,980</b>	<b>\$ (215,006)</b>	<b>\$ (6,724)</b>	<b>\$ 1,300,525</b>	<b>\$ 3,537</b>	<b>\$ 1,304,062</b>
Stock-based compensation	—	—	19,817	—	—	—	—	19,817	—	19,817
Exercise of stock options	—	4	9,110	—	—	—	—	9,114	—	9,114
Shares issued under equity awards (taxes paid related to net share settlement of equity awards), net	—	—	(5,153)	—	—	—	—	(5,153)	—	(5,153)
Reissuance of treasury stock towards employee stock purchase plan	—	—	(49)	895	—	—	—	846	—	846
Contra equity - adjustment to indemnification receivable for acquisition related tax liability	—	—	—	—	—	—	1,369	1,369	—	1,369
Other	—	—	571	—	—	—	—	571	—	571
Net earnings	—	—	—	—	143,374	—	—	143,374	—	143,374
Dividends (\$0.70 per common share)	—	—	772	—	(30,603)	—	—	(29,831)	—	(29,831)
Other comprehensive income:										



[Table of Contents](#)

Pension funded status adjustment (net of tax benefit of \$424)	—	—	—	—	—	1,847	—	1,847	—	1,847
Net unrealized gain (loss) on derivative instruments (net of tax expense of \$1,952)	—	—	—	—	—	6,283	—	6,283	—	6,283
Foreign currency translation adjustment	—	—	—	—	—	90,993	—	90,993	284	91,277
<b>Balance at March 31, 2021</b>	<b>\$ —</b>	<b>\$ 555</b>	<b>\$ 554,168</b>	<b>\$ (563,481)</b>	<b>\$ 1,669,751</b>	<b>\$ (115,883)</b>	<b>\$ (5,355)</b>	<b>\$ 1,539,755</b>	<b>\$ 3,821</b>	<b>\$ 1,543,576</b>

See accompanying notes.

**EnerSys**  
**Consolidated Statements of Cash Flows**  
(In Thousands)

	Fiscal year ended March 31,		
	2021	2020	2019
<b>Cash flows from operating activities</b>			
Net earnings	\$ 143,374	\$ 137,116	\$ 160,627
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	94,082	87,344	63,348
Write-off of assets relating to restructuring and other exit charges	10,231	10,986	26,308
Impairment of goodwill	—	39,713	—
Impairment of indefinite-lived intangibles and fixed assets	—	4,549	—
Derivatives not designated in hedging relationships:			
Net (gains) losses	(430)	178	1,856
Cash (settlements) proceeds	905	(793)	(1,802)
Provision for doubtful accounts	178	4,821	1,385
Deferred income taxes	(8,994)	(16,486)	(6,456)
Non-cash interest expense	2,072	1,673	1,316
Stock-based compensation	19,817	20,780	22,608
Gain on disposal of property, plant, and equipment	(3,883)	(86)	(258)
Changes in assets and liabilities, net of effects of acquisitions:			
Accounts receivable	8,713	26,486	5,974
Inventories	24,176	(9,379)	(46,614)
Prepaid and other current assets	27,292	(17,508)	(20,195)
Other assets	424	3,089	(7,611)
Accounts payable	20,797	(33,490)	9,944
Legal proceedings accrual	—	—	7,258
Accrued expenses	32,357	7,055	(4,937)
Other liabilities	(12,736)	(12,650)	(14,896)
Net cash provided by operating activities	358,375	253,398	197,855
<b>Cash flows from investing activities</b>			
Capital expenditures	(70,020)	(101,425)	(70,372)
Purchase of businesses	—	(176,548)	(654,614)
Proceeds from sale of facility	—	720	—
Insurance proceeds relating to property, plant and equipment	4,800	403	—
Proceeds from disposal of property, plant, and equipment	176	2,031	1,103
Net cash used in investing activities	(65,044)	(274,819)	(723,883)
<b>Cash flows from financing activities</b>			
Net (repayments) borrowings on short-term debt	(15,934)	(5,325)	37,424
Proceeds from Amended 2017 Revolver borrowings	102,000	386,700	531,100
Proceeds from 2027 Notes	—	300,000	—
Repayments of Amended 2017 Revolver borrowings	(210,000)	(517,700)	(427,600)
Proceeds from Amended 2017 Term Loan	—	—	299,105
Repayments of Amended 2017 Term Loan	(39,589)	(28,138)	(11,666)
Debt issuance costs	—	(4,607)	(1,393)
Finance lease obligations and other	650	995	368
Option proceeds	9,114	1,417	9,048
Payment of taxes related to net share settlement of equity awards	(5,153)	(6,393)	(3,630)
Purchase of treasury stock	—	(34,561)	(56,436)
Dividends paid to stockholders	(29,812)	(29,705)	(29,743)
Net cash (used in) provided by financing activities	(188,724)	62,683	346,577
Effect of exchange rate changes on cash and cash equivalents	20,222	(13,495)	(43,455)
Net increase (decrease) in cash and cash equivalents	124,829	27,767	(222,906)
Cash and cash equivalents at beginning of year	326,979	299,212	522,118
Cash and cash equivalents at end of year	\$ 451,808	\$ 326,979	\$ 299,212
Supplemental disclosures:			
Non-cash investing and financing activities:			
Common stock issued as partial consideration for Alpha acquisition	\$ —	\$ —	\$ 93,268

See accompanying notes.

**Notes to Consolidated Financial Statements**  
**March 31, 2021**  
**(In Thousands, Except Share and Per Share Data)**

**1. Summary of Significant Accounting Policies**

***Description of Business***

EnerSys (the “Company”) and its predecessor companies have been manufacturers of industrial batteries for over 125 years. EnerSys is a global leader in stored energy solutions for industrial applications. The Company manufactures, markets and distributes industrial batteries and related products such as chargers, outdoor cabinet enclosures, power equipment and battery accessories, and provides related after-market and customer-support services for its products. With the Alpha acquisition, the Company is also a provider of highly integrated power solutions and services to broadband, telecom, renewable and industrial customers.

***Principles of Consolidation***

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries and any partially owned subsidiaries that the Company has the ability to control. Control generally equates to ownership percentage, whereby investments that are more than 50% owned are generally consolidated, investments in affiliates of 50% or less but greater than 20% are generally accounted for using the equity method, and investments in affiliates of 20% or less are accounted for using the cost method. All intercompany transactions and balances have been eliminated in consolidation.

***Foreign Currency Translation***

Results of foreign operations of subsidiaries, whose functional currency is the local currency, are translated into U.S. dollars using average exchange rates during the periods. The assets and liabilities are translated into U.S. dollars using exchange rates as of the balance sheet dates. Gains or losses resulting from translating the foreign currency financial statements are accumulated as a separate component of accumulated other comprehensive income (“AOCI”) in EnerSys’ stockholders’ equity and noncontrolling interests.

Transaction gains and losses resulting from exchange rate changes on transactions denominated in currencies other than the functional currency of the applicable subsidiary are included in the Consolidated Statements of Income, within “Other (income) expense, net”, in the year in which the change occurs.

***Revenue Recognition***

Beginning April 1, 2018, the Company adopted ASC 606, *Revenue from Contracts with Customers*. Concurrent with the adoption of the new standard, the Company updated its revenue recognition policy as follows:

The Company determines revenue recognition by applying the following steps:

1. identify the contract with a customer;
2. identify the performance obligations in the contract;
3. determine the transaction price;
4. allocate the transaction price to the performance obligations; and
5. recognize revenue as the performance obligations are satisfied.

The Company recognizes revenue when (or as) performance obligations are satisfied by transferring control of the performance obligation to a customer. Control of a performance obligation may transfer to the customer either at a point in time or over time depending on an evaluation of the specific facts and circumstances for each contract, including the terms and conditions of the contract as agreed with the customer, as well as the nature of the products or services to be provided.

The Company’s primary performance obligation to its customers is the delivery of finished goods and products, pursuant to purchase orders. Control of the products sold typically transfers to its customers at the point in time when the goods are shipped as this is also when title generally passes to its customers under the terms and conditions of the customer arrangements.

Each customer purchase order sets forth the transaction price for the products and services purchased under that arrangement. Some customer arrangements include variable consideration, such as volume rebates, some of which depend upon the customers meeting specified performance criteria, such as a purchasing level over a period of time. The Company uses judgment to estimate the most likely amount of variable consideration at each reporting date. When estimating variable consideration, the Company also applies judgment when considering the probability of whether a reversal of revenue could occur and only recognize revenue subject to this constraint.

Service revenues related to the work performed for the Company's customers by its maintenance technicians generally represent a separate and distinct performance obligation. Control for these services passes to the customer as the services are performed.

The Company's typical payment terms are 30 days and sales arrangements do not contain any significant financing component for its customers.

The Company uses historic customer product return data as a basis of estimation for customer returns and records the reduction of sales at the time revenue is recognized.

Freight charges billed to customers are included in sales and the related shipping costs are included in cost of sales in the Consolidated Statements of Income. If shipping activities are performed after a customer obtains control of a product, the Company applies a policy election to account for shipping as an activity to fulfill the promise to transfer the product to the customer.

The Company applies a policy election to exclude transaction taxes collected from customers from sales when the tax is both imposed on and concurrent with a specific revenue-producing transaction.

The Company generally provides customers with a product warranty that provides assurance that the products meet standard specifications and are free of defects. The Company maintains a reserve for claims incurred under standard product warranty programs. Performance obligations related to service warranties are not material to the Consolidated Financial Statements.

The Company pays sales commissions to its sales representatives, which may be considered as incremental costs to obtain a contract. However, since the recoverability period is less than one year, the Company has utilized the practical expedient to record these costs of obtaining a contract as an expense as they are incurred.

### ***Warranties***

The Company's products are warranted for a period ranging from one to twenty years for Energy Systems batteries, from one to seven years for Motive Power batteries and for a period ranging from one to four years for Specialty transportation batteries. The Company provides for estimated product warranty expenses when the related products are sold. The assessment of the adequacy of the reserve includes a review of open claims and historical experience.

### ***Cash and Cash Equivalents***

Cash and cash equivalents include all highly liquid investments with an original maturity of three months or less when purchased.

### ***Concentration of Credit Risk***

Financial instruments that subject the Company to potential concentration of credit risk consist principally of short-term cash investments and trade accounts receivable. The Company invests its cash with various financial institutions and in various investment instruments limiting the amount of credit exposure to any one financial institution or entity. The Company has bank deposits that exceed federally insured limits. In addition, certain cash investments may be made in U.S. and foreign government bonds, or other highly rated investments guaranteed by the U.S. or foreign governments. Concentration of credit risk with respect to trade receivables is limited by a large, diversified customer base and its geographic dispersion. The Company performs ongoing credit evaluations of its customers' financial condition and requires collateral, such as letters of credit, in certain circumstances.

### ***Accounts Receivable***

Accounts receivable are recorded net of an allowance for expected credit losses. The Company maintains an allowance for credit losses for the expected failure or inability of its customers to make required payments. The Company recognizes the allowance for expected credit losses at inception and reassesses quarterly based on management's expectation of the asset's collectability. The allowance is based on multiple factors including historical experience with bad debts, the credit quality of the customer base, the aging of such receivables and current macroeconomic conditions, as well as management's expectations of conditions in the future. The Company's allowance for uncollectible accounts receivable is based on management's assessment of the collectability of assets pooled together with similar risk characteristics. Accounts are written off when management determines the account is uncollectible.

### ***Inventories***

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of inventory consists of material, labor, and associated overhead.

### ***Property, Plant, and Equipment***

Property, plant, and equipment are recorded at cost and include expenditures that substantially increase the useful lives of the assets. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows: 10 to 33 years for buildings and improvements and 3 to 15 years for machinery and equipment.

Maintenance and repairs are expensed as incurred. Interest on capital projects is capitalized during the construction period.

### ***Business Combinations***

The Company records an acquisition using the acquisition method of accounting and recognizes the assets acquired and liabilities assumed at their fair values as of the date of the acquisition. The excess of the purchase price over the net tangible and intangible assets is recorded to goodwill. The results of operations of the acquired business are included in the Company's operating results from the date of acquisition.

### ***Goodwill and Other Intangible Assets***

Goodwill and indefinite-lived trademarks are tested for impairment at least annually and whenever events or circumstances occur indicating that a possible impairment may have been incurred. The Company assesses whether goodwill impairment exists using both the qualitative and quantitative assessments. The qualitative assessment involves determining whether events or circumstances exist that indicate it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. If based on this qualitative assessment the Company determines it is more likely than not that the fair value of a reporting unit is less than its carrying amount, or if the Company elects not to perform a qualitative assessment, a quantitative assessment is performed by determining the fair value of the Company's reporting units.

Goodwill is tested for impairment by determining the fair value of the Company's reporting units. These estimated fair values are based on financial projections, certain cash flow measures, and market capitalization.

The Company estimates the fair value of its reporting units using a weighting of fair values derived from both the income approach and the market approach. Under the income approach, the Company calculates the fair value of a reporting unit based on the present value of estimated future cash flows. Cash flow projections are based on management's estimates of revenue growth rates and operating margins, taking into consideration industry and market conditions. The discount rate used is based on the weighted-average cost of capital adjusted for the relevant risk associated with business-specific characteristics and the uncertainty related to the business's ability to execute on the projected cash flows. The market approach estimates fair value based on market multiples of revenue and earnings derived from comparable publicly-traded companies with similar operating and investment characteristics as the reporting unit. The weighting of the fair value derived from the market approach ranges from 0% to 50% depending on the level of comparability of these publicly-traded companies to the reporting unit.

In order to assess the reasonableness of the calculated fair values of its reporting units, the Company also compares the sum of the reporting units' fair values to its market capitalization and calculates an implied control premium (the excess of the sum of the reporting units' fair values over the market capitalization). The Company evaluates the control premium by comparing it to control premiums of recent comparable market transactions.

The Company assesses whether indefinite-lived intangible assets impairment exists using both the qualitative and quantitative assessments. The qualitative assessment involves determining whether events or circumstances exist that indicate it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount. If based on this qualitative assessment, the Company determines it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount or if the Company elects not to perform a qualitative assessment, a quantitative assessment is performed to determine whether an indefinite-lived intangible asset impairment exists. The Company tests the indefinite-lived intangible assets for impairment by comparing the carrying value to the fair value based on current revenue projections of the related operations, under the relief from royalty method. Any excess of the carrying value over the amount of fair value is recognized as an impairment. Any such impairment is recognized in the reporting period in which it has been identified.

Finite-lived assets such as customer relationships, technology, trademarks, licenses, and non-compete agreements are amortized on a straight-line basis over their estimated useful lives, generally over periods ranging from 3 to 20 years. The Company continually evaluates the reasonableness of the useful lives of these assets.

### ***Impairment of Long-Lived Assets***

The Company reviews the carrying values of its long-lived assets to be held and used for possible impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable, based on undiscounted estimated cash flows expected to result from its use and eventual disposition. The factors considered by the Company in performing this assessment include current operating results, trends and other economic factors. In assessing the recoverability of the carrying value of a long-lived asset, the Company must make assumptions regarding future cash flows and other factors. If these estimates or the related assumptions change in the future, the Company may be required to record an impairment loss for these assets.

### ***Environmental Expenditures***

The Company records a loss and establishes a reserve for environmental remediation liabilities when it is probable that an asset has been impaired or a liability exists and the amount of the liability can be reasonably estimated. Reasonable estimates involve judgments made by management after considering a broad range of information including notifications, demands or settlements that have been received from a regulatory authority or private party, estimates performed by independent engineering companies and outside counsel, available facts, existing and proposed technology, the identification of other potentially responsible parties, their ability to contribute and prior experience. These judgments are reviewed quarterly as more information is received and the amounts reserved are updated as necessary. However, the reserves may materially differ from ultimate actual liabilities if the loss contingency is difficult to estimate or if management's judgments turn out to be inaccurate. If management believes no best estimate exists, the minimum probable loss is accrued.

### ***Derivative Financial Instruments***

The Company utilizes derivative instruments to mitigate volatility related to interest rates, lead prices and foreign currency exposures. The Company does not hold or issue derivative financial instruments for trading or speculative purposes. The Company recognizes derivatives as either assets or liabilities in the accompanying Consolidated Balance Sheets and measures those instruments at fair value. Changes in the fair value of those instruments are reported in AOCI if they qualify for hedge accounting or in earnings if they do not qualify for hedge accounting. Derivatives qualify for hedge accounting if they are designated as hedge instruments and if the hedge is highly effective in achieving offsetting changes in the fair value or cash flows of the asset or liability hedged. Effectiveness is measured on a regular basis using statistical analysis and by comparing the overall changes in the expected cash flows on the lead and foreign currency forward contracts with the changes in the expected all-in cash outflow required for the lead and foreign currency purchases. This analysis is performed on the initial purchases quarterly that cover the quantities hedged. Accordingly, gains and losses from changes in derivative fair value of effective hedges are deferred and reported in AOCI until the underlying transaction affects earnings.

The Company has commodity, foreign exchange and interest rate hedging authorization from the Board of Directors and has established a hedging and risk management program that includes the management of market and counterparty risk. Key risk control activities designed to ensure compliance with the risk management program include, but are not limited to, credit review and approval, validation of transactions and market prices, verification of risk and transaction limits, portfolio stress tests, sensitivity analyses and frequent portfolio reporting, including open positions, determinations of fair value and other risk management metrics.

Market risk is the potential loss the Company and its subsidiaries may incur as a result of price changes associated with a particular financial or commodity instrument. The Company utilizes forward contracts, options, and swaps as part of its risk management strategies, to minimize unanticipated fluctuations in earnings caused by changes in commodity prices, interest rates and / or foreign currency exchange rates. All derivatives are recognized on the balance sheet at their fair value, unless they qualify for the Normal Purchase Normal Sale exemption.

Credit risk is the potential loss the Company may incur due to the counterparty's non-performance. The Company is exposed to credit risk from interest rate, foreign currency and commodity derivatives with financial institutions. The Company has credit policies to manage their credit risk, including the use of an established credit approval process, monitoring of the counterparty positions and the use of master netting agreements.

The Company has elected to offset net derivative positions under master netting arrangements. The Company does not have any positions involving cash collateral (payables or receivables) under a master netting arrangement as of March 31, 2021 and 2020.

The Company does not have any credit-related contingent features associated with its derivative instruments.

### ***Fair Value of Financial Instruments***

The Company groups its recurring, non-recurring and disclosure-only fair value measurements into the following levels when making fair value measurement disclosures:

- Level 1      Inputs are unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2      Inputs are quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable and market-corroborated inputs which are derived principally from or corroborated by observable market data.
- Level 3      Inputs are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The Company and its subsidiaries use, as appropriate, a market approach (generally, data from market transactions), an income approach (generally, present value techniques and option-pricing models), and / or a cost approach (generally, replacement cost) to measure the fair value of an asset or liability. These valuation approaches incorporate inputs such as observable, independent market data and / or unobservable data that management believes are predicated on the assumptions market participants would use to price an asset or liability. These inputs may incorporate, as applicable, certain risks such as nonperformance risk, which includes credit risk.

Lead contracts, foreign currency contracts and interest rate contracts generally use an income approach to measure the fair value of these contracts, utilizing readily observable inputs, such as forward interest rates (e.g., London Interbank Offered Rate—"LIBOR"), forward foreign currency exchange rates (e.g., GBP and euro) and commodity prices (e.g., London Metals Exchange), as well as inputs that may not be observable, such as credit valuation adjustments. When observable inputs are used to measure all or most of the value of a contract, the contract is classified as Level 2. Over-the-counter (OTC) contracts are valued using quotes obtained from an exchange, binding and non-binding broker quotes. Furthermore, the Company obtains independent quotes from the market to validate the forward price curves. OTC contracts include forwards, swaps and options. To the extent possible, fair value measurements utilize various inputs that include quoted prices for similar contracts or market-corroborated inputs.

When unobservable inputs are significant to the fair value measurement, the asset or liability is classified as Level 3. Additionally, Level 2 fair value measurements include adjustments for credit risk based on the Company's own creditworthiness (for net liabilities) and its counterparties' creditworthiness (for net assets). The Company assumes that observable market prices include sufficient adjustments for liquidity and modeling risks. The Company did not have any fair value measurements that transferred between Level 2 and Level 3 as well as Level 1 and Level 2.

### ***Income Taxes***

The Company accounts for income taxes using the asset and liability approach, which requires deferred tax assets and liabilities be recognized using enacted tax rates to measure the effect of temporary differences between book and tax bases on recorded

assets and liabilities. Valuation allowances are recorded to reduce deferred tax assets, if it is more likely than not some portion or all of the deferred tax assets will not be realized. The need to establish valuation allowances against deferred tax assets is assessed quarterly. The primary factors used to assess the likelihood of realization are expected reversals of taxable temporary timing differences, forecasts of future taxable income and available tax planning strategies that could be implemented to realize the net deferred tax assets.

The Company recognizes tax related interest and penalties in income tax expense in its Consolidated Statement of Income.

With respect to accounting for uncertainty in income taxes, the Company evaluates tax positions to determine whether the benefits of tax positions are more likely than not of being sustained upon audit based on the technical merits of the tax position. For tax positions that are more likely than not of being sustained upon audit, the Company recognizes the largest amount of the benefit that is greater than 50% likely of being realized upon ultimate settlement. For tax positions that are not more likely than not of being sustained upon audit, the Company does not recognize any portion of the benefit. If the more likely than not threshold is not met in the period for which a tax position is taken, the Company may subsequently recognize the benefit of that tax position if the tax matter is effectively settled, the statute of limitations expires, or if the more likely than not threshold is met in a subsequent period.

No additional income taxes have been provided for any undistributed foreign earnings or any additional outside basis difference inherent in these entities, as these amounts continue to be indefinitely reinvested in foreign operations.

Regarding the GILTI tax rules, the Company is allowed to make an accounting policy choice of either (1) treating the taxes due on future US inclusions in taxable income as a current-period expense when incurred ("period cost method") or (2) factoring amounts into a Company's measurement of its deferred taxes ("deferred method"). The Company has elected the period cost method.

### ***Deferred Financing Fees***

Debt issuance costs that are incurred by the Company in connection with the issuance of debt are deferred and amortized to interest expense over the life of the underlying indebtedness, adjusted to reflect any early repayments and are shown as a deduction from long-term debt.

### ***Stock-Based Compensation Plans***

The Company measures the cost of employee services received in exchange for the award of an equity instrument based on the grant-date fair value of the award, with such cost recognized over the applicable vesting period.

#### ***Market and Performance condition-based awards***

The Company grants market condition-based awards and performance condition-based awards.

Beginning in fiscal 2017 and until fiscal 2020, the Company granted market condition-based awards ("TSR"). A participant may earn between 0% to 200% of the number of awards granted, based on the total shareholder return of the Company's common stock over a three-year period, relative to the shareholder return of a defined peer group. The awards cliff vest on the third anniversary of the date of grant and are settled in common stock on the first anniversary of the vesting date. The TSR is calculated by dividing the sixty or ninety calendar day average price at end of the period (as applicable) and the reinvested dividends thereon by such sixty or ninety calendar day average price at start of the period. The maximum number of awards earned is capped at 200% of the target award. Additionally, no payout will be awarded in the event that the TSR at the vesting date reflects less than a 25% return from the average price at the grant date. These share units are similar to the share units granted prior to fiscal 2016, except that under these awards, the targets are more difficult to achieve as they are tied to the TSR of a defined peer group. The fair value of these awards is estimated at the date of grant, using a Monte Carlo Simulation.

The Company recognizes compensation expense using the straight-line method over the life of the market condition-based awards except for those issued to certain retirement-eligible participants, which are expensed on an accelerated basis.

In fiscal 2019 and fiscal 2020, the Company granted performance condition-based awards ("PSU"). A participant may earn between 0% to 200% of the number of awards granted, based on the Company's cumulative adjusted earnings per share performance over a three-year period. The vesting of these awards is contingent upon meeting or exceeding performance conditions. The awards cliff vest on the third anniversary of the date of grant and are settled in common stock on the first anniversary of the vesting date. The maximum number of awards earned is capped at 200% of the target award. Expense for the



performance condition-based award is recorded when the achievement of the performance condition is considered probable of achievement and is recorded on a straight-line basis over the requisite service period. If such performance criteria are not met, no compensation cost is recognized, and any recognized compensation cost is reversed. The closing stock price on the date of grant, adjusted for a discount to reflect the illiquidity inherent in the PSUs, represents the grant-date fair value for these awards.

#### *Restricted Stock Units*

The fair value of restricted stock units is based on the closing market price of the Company's common stock on the date of grant. These awards generally vest, and are settled in common stock, at 25% per year, over a four-year period from the date of grant. The Company recognizes compensation expense using the straight-line method over the life of the restricted stock units.

#### *Stock Options*

The fair value of the options granted is estimated at the date of grant using the Black-Scholes option-pricing model utilizing assumptions based on historical data and current market data. The assumptions include expected term of the options, risk-free interest rate, expected volatility, and dividend yield. The expected term represents the expected amount of time that options granted are expected to be outstanding, based on historical and forecasted exercise behavior. The risk-free rate is based on the rate at the grant date of zero-coupon U.S. Treasury Notes with a term equal to the expected term of the option. Expected volatility is estimated using historical volatility rates based on historical weekly price changes over a term equal to the expected term of the options. The Company's dividend yield is based on historical data. The Company recognizes compensation expense using the straight-line method over the vesting period of the options except for those issued to certain retirement-eligible participants, which are expensed on an accelerated basis.

#### *Forfeitures*

Forfeitures of share-based awards are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

#### *Earnings Per Share*

Basic earnings per common share ("EPS") are computed by dividing net earnings attributable to EnerSys stockholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that would occur if securities or other contracts to issue common stock were exercised or converted into common stock. At March 31, 2021, 2020 and 2019, the Company had outstanding stock options, restricted stock units, market condition and performance condition-based awards, which could potentially dilute basic earnings per share in the future.

#### *Segment Reporting*

Effective April 1, 2020, the Company's chief operating decision maker, or CODM (the Company's Chief Executive Officer), changed the manner in which he reviews financial information for purposes of assessing business performance and allocating resources, by focusing on the lines of business on a global basis, rather than on geographic basis. As a result of this change, the Company re-evaluated the identification of its operating segments and reportable segments and identified the following as its three new operating segments, based on lines of business:

- **Energy Systems** - uninterruptible power systems, or "UPS" applications for computer and computer-controlled systems, as well as telecommunications systems, switchgear and electrical control systems used in industrial facilities and electric utilities, large-scale energy storage and energy pipelines. Energy Systems also includes highly integrated power solutions and services to broadband, telecom, renewable and industrial customers, as well as thermally managed cabinets and enclosures for electronic equipment and batteries.
- **Motive Power** - power for electric industrial forklifts used in manufacturing, warehousing and other material handling applications, as well as mining equipment, diesel locomotive starting and other rail equipment; and
- **Specialty** - premium starting, lighting and ignition applications in transportation, energy solutions for satellites, military aircraft, submarines, ships and other tactical vehicles, as well as medical and security systems.

The new operating segments also represent the Company's reportable segments under ASC 280, *Segment Reporting*. All prior comparative periods presented have been recast to conform to these changes.

**Recently Adopted Accounting Pronouncements**

In June 2016, the FASB, issued ASU No. 2016-13, “Financial Instruments - Credit Losses (Topic 326)”: Measurement of Credit Losses on Financial Instruments, which changes the recognition model for the impairment of financial instruments, including accounts receivable, loans and held-to-maturity debt securities, among others. The guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. In contrast to previous guidance, which considers current information and events and utilizes a probable threshold, (an “incurred loss” model), ASU 2016-13 mandates an “expected loss” model. The expected loss model: (i) estimates the risk of loss even when risk is remote, (ii) estimates losses over the contractual life, (iii) considers past events, current conditions and reasonable supported forecasts and (iv) has no recognition threshold. The Company adopted the standard effective April 1, 2020 and the adoption did not have a material impact on the Company's operating results, financial position or cash flows.

The Company estimates the allowance for credit losses in relation to accounts receivable based on relevant qualitative and quantitative information about historical events, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported accounts receivable. Subsequent to April 1, 2020, accounts receivable are recorded at amortized cost less an allowance for expected credit losses. The Company maintains an allowance for credit losses for the expected failure or inability of its customers to make required payments. The Company recognizes the allowance for expected credit losses at inception and reassesses quarterly, based on management’s expectation of the asset’s collectability. The allowance is based on multiple factors including historical experience with bad debts, the credit quality of the customer base, the aging of such receivables and current macroeconomic conditions, as well as management’s expectations of conditions in the future. The Company’s allowance for uncollectible accounts receivable is based on management’s assessment of the collectability of assets pooled together with similar risk characteristics. The Company then adjusts the historical credit loss percentage by current and forecasted economic conditions. The Company then includes a baseline credit loss percentage into the historical credit loss percentage for each aging category to reflect the potential impact of the current and economic conditions. Such a baseline calculation will be adjusted further if changes in the economic environment impacts the Company's expectation for future credit losses.

The following table sets forth the changes in the Company's allowance for doubtful accounts:

	<b>Balance at Beginning of Period</b>	<b>Provision for Doubtful Debts</b>	<b>Write-offs, net of Recoveries and Other</b>	<b>Balance at End of Period</b>
Fiscal year ended March 31, 2019	\$ 12,643	\$ 1,385	\$ (3,215)	\$ 10,813
Fiscal year ended March 31, 2020	10,813	4,821	(388)	15,246
Fiscal year ended March 31, 2021	15,246	178	(2,432)	12,992

In March 2020, the FASB issued ASU 2020-04, “Reference Rate Reform (Topic 848)”: Facilitation of the Effects of Reference Rate Reform on Financial Reporting, which provides temporary optional expedients to ease the financial reporting burdens of the expected market transition from London Interbank Offered Rate (LIBOR) to an alternative reference rate such as Secured Overnight Financing Rate (SOFR). The amendments in this ASU were effective immediately and may be applied to impacted contracts and hedges prospectively through December 31, 2022. The adoption of the ASU had no impact on the Company’s Consolidated Financial Statements for the period ended March 31, 2021.

**Accounting Pronouncements Issued But Not Adopted as of March 31, 2021**

In December 2019, the FASB issued ASU No. 2019-12, “Income Taxes (Topic 740)”: Simplifying the Accounting for Income Taxes, which is intended to simplify various aspects related to accounting for income taxes. ASU 2019-12 removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. The guidance is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The adoption is not expected to have a material impact on its consolidated financial statements.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. These estimates and assumptions take into account historical and forward looking factors that the Company believes are reasonable, including, but not limited to, the potential impacts arising from the coronavirus pandemic of 2019 (“COVID-19”) and public and private sector policies and initiatives aimed at reducing its transmission. As the extent and

duration of the impacts of COVID-19 remain unclear, the Company's estimates and assumptions may evolve as conditions change. Actual results could differ significantly from those estimates.

Examples of significant estimates include the allowance for credit losses, the recoverability of property, plant and equipment, the incremental borrowing rate for lease liabilities, the recoverability of intangible assets and other long-lived assets, fair value measurements, including those related to financial instruments, goodwill and intangible assets, valuation allowances on tax assets, pension and postretirement benefit obligations, contingencies and the identification and valuation of assets acquired and liabilities assumed in connection with business combinations.

## **2. Revenue Recognition**

The Company's revenues by reportable segments are presented in Note 23.

Service revenues for fiscal 2021, 2020 and 2019 amounted to \$296,213, \$270,704 and \$157,236, respectively.

A small portion of the Company's customer arrangements oblige the Company to create customized products for its customers that require the bundling of both products and services into a single performance obligation because the individual products and services that are required to fulfill the customer requirements do not meet the definition for a distinct performance obligation. These customized products generally have no alternative use to the Company and the terms and conditions of these arrangements give the Company the enforceable right to payment for performance completed to date, including a reasonable profit margin. For these arrangements, control transfers over time and the Company measures progress towards completion by selecting the input or output method that best depicts the transfer of control of the underlying goods and services to the customer for each respective arrangement. Methods used by the Company to measure progress toward completion include labor hours, costs incurred and units of production. Revenues recognized over time for fiscal 2021, 2020 and 2019 amounted to \$155,217, \$142,153 and \$100,809, respectively.

On March 31, 2021, the aggregate transaction price allocated to unsatisfied (or partially unsatisfied) performance obligations was approximately \$115,775, of which, the Company estimates that approximately \$93,941 will be recognized as revenue in fiscal 2022, \$21,011 in fiscal 2023, \$774 in fiscal 2024, \$49 in fiscal 2025 and \$0 in fiscal 2026.

Any payments that are received from a customer in advance, prior to the satisfaction of a related performance obligation and billings in excess of revenue recognized, are deferred and treated as a contract liability. Advance payments and billings in excess of revenue recognized are classified as current or non-current based on the timing of when recognition of revenue is expected. As of March 31, 2021, the current and non-current portion of contract liabilities were \$15,992 and \$2,072, respectively. As of March 31, 2020, the current and non-current portion of contract liabilities were \$17,342 and \$8,356, respectively. Revenues recognized during fiscal 2021 and fiscal 2020, that were included in the contract liability at the beginning of the year, amounted to \$14,064 and \$18,697, respectively.

Amounts representing work completed and not billed to customers represent contract assets and were \$46,451 and \$39,048 as of March 31, 2021 and March 31, 2020, respectively.

The Company uses historic customer product return data as a basis of estimation for customer returns and records the reduction of sales at the time revenue is recognized. At March 31, 2021, the right of return asset related to the value of inventory anticipated to be returned from customers was \$4,271 and refund liability representing amounts estimated to be refunded to customers was \$7,475.

### 3. Leases

The Company leases manufacturing facilities, distribution centers, office space, vehicles and other equipment under non-cancellable leases with initial terms typically ranging from 1 to 17 years. At contract inception, the Company reviews the terms of the arrangement to determine if the contract is or contains a lease. Guidance in Topic 842 is used to evaluate whether the contract has an identified asset; if the Company has the right to obtain substantially all economic benefits from the asset; and if it has the right to direct the use of the underlying asset. When determining if a contract has an identified asset, the Company considers both explicit and implicit assets, and whether the supplier has the right to substitute the asset. When determining if the Company has the right to obtain substantially all economic benefits from the asset, the Company considers the primary outputs of the identified asset throughout the period of use and determines if it receives greater than 90% of those benefits. When determining if it has the right to direct the use of an underlying asset, the Company considers if it has the right to direct how and for what purpose the asset is used throughout the period of use and if it controls the decision-making rights over the asset.

Lease terms may include options to extend or terminate the lease. The Company exercises its judgment to determine the term of those leases when extension or termination options are present and include such options in the calculation of the lease term when it is reasonably certain that the Company will exercise those options.

The Company has elected to include both lease and non-lease components in the determination of lease payments for all asset classes. Payments made to a lessor for items such as taxes, insurance, common area maintenance, or other costs commonly referred to as executory costs, are also included in lease payments if they are fixed. The fixed portion of these payments are included in the calculation of the lease liability, while any variable portion would be recognized as variable lease expenses, when incurred. Variable payments made to third parties for these, or similar costs, such as utilities, are not included in the calculation of lease payments.

Both finance and operating leases are reflected as liabilities on the commencement date of the lease based on the present value of the lease payments to be made over the lease term. As most of the leases do not provide an implicit rate, the Company has exercised judgment in electing the incremental borrowing rate based on the information available when the lease commences to determine the present value of future payments. Right-of-use assets are valued at the initial measurement of the lease liability, plus any initial direct costs or rent prepayments and reduced by any lease incentives and any deferred lease payments.

Operating lease expense is recognized on a straight-line basis over the lease term. Finance lease expense includes depreciation, which is recognized on a straight-line basis over the expected life of the leased asset, and interest expense, which is recognized following an effective interest rate method.

Short term leases with an initial term of 12 months or less are not presented on the balance sheet and expense is recognized as incurred. The current and non-current portion of operating lease liabilities are reflected in accrued expenses and other liabilities, respectively, on the consolidated balance sheets. The right-of use assets relating to operating and finance leases are reflected in other assets and property, plant and equipment, respectively, on the consolidated balance sheets.

The following table presents lease assets and liabilities and their balance sheet classification:

	Classification	As of March 31, 2021	As of March 31, 2020
<b>Operating Leases:</b>			
Right-of-use assets	Other assets	\$ 62,159	\$ 70,045
Operating lease current liabilities	Accrued expenses	21,774	21,128
Operating lease non-current liabilities	Other liabilities	42,528	51,215
<b>Finance Leases:</b>			
Right-of-use assets	Property, plant, and equipment, net	\$ 573	\$ 540
Finance lease current liabilities	Current portion of finance leases	236	162
Finance lease non-current liabilities	Finance leases	435	407

The components of lease expense for the fiscal years ended March 31, 2021 and March 31, 2020 were as follows:

	Classification	March 31, 2021	March 31, 2020
<b>Operating Leases:</b>			
Operating lease cost	Operating expenses	\$ 27,888	\$ 28,855
Variable lease cost	Operating expenses	7,781	8,238
Short term lease cost	Operating expenses	6,675	7,553
<b>Finance Leases:</b>			
Depreciation	Operating expenses	\$ 221	\$ 461
Interest expense	Interest expense	33	37
<b>Total</b>		<b>\$ 42,598</b>	<b>\$ 45,144</b>

The following table presents the weighted average lease term and discount rates for leases as of March 31, 2021 and March 31, 2020:

	March 31, 2021	March 31, 2020
<b>Operating Leases:</b>		
Weighted average remaining lease term (years)	5.5 years	5.0 years
Weighted average discount rate	5.16%	5.17%
<b>Finance Leases:</b>		
Weighted average remaining lease term (years)	3.1 years	3.5 years
Weighted average discount rate	4.81%	4.92%

The following table presents future payments due under leases reconciled to lease liabilities as of March 31, 2021:

	Finance Leases	Operating Leases
Year ended March 31,		
2022	\$ 264	\$ 24,663
2023	218	16,618
2024	159	10,717
2025	48	6,977
2026	26	5,114
Thereafter	—	12,997
Total undiscounted lease payments	715	77,086
Present value discount	44	12,784
Lease liability	<b>\$ 671</b>	<b>\$ 64,302</b>

The following table presents supplemental disclosures of cash flow information related to leases for the fiscal years ended March 31, 2021 and March 31, 2020:

	March 31, 2021	March 31, 2020
<b>Cash paid for amounts included in the measurement of lease liabilities:</b>		
Operating cash flows from finance leases	\$ 33	\$ 37
Operating cash flows from operating leases	28,036	28,593
Financing cash flows from finance leases	216	461
<b>Supplemental non-cash information on lease liabilities arising from right-of-use assets:</b>		
Right-of-use assets obtained in exchange for new finance lease liabilities	\$ 266	\$ —
Right-of-use assets obtained in exchange for new operating lease liabilities	14,763	11,902

**Disclosure related to periods prior to adoption of ASU 2016-02, Leases (Topic 842)**

Rental expense was \$40,261 for the fiscal year ended March 31, 2019.

**4. Acquisitions**

The Company made no acquisitions in fiscal 2021. Acquisitions made in fiscal 2020 and fiscal 2019 are as follows:

*NorthStar*

On September 30, 2019, the Company completed the acquisition of N Holding, AB (“NorthStar”) for \$77,777 in cash consideration and the assumption of \$107,018 in debt, which was funded using existing cash and credit facilities. NorthStar, through its direct and indirect subsidiaries, manufactures and distributes thin plate pure lead (TPPL) batteries and battery enclosures. NorthStar has two large manufacturing facilities in Springfield, Missouri. The Company acquired tangible and intangible assets, including trademarks, technology, customer relationships and goodwill. Based on valuations performed, trademarks were valued at \$6,000, technology at \$19,000, customer relationships at \$9,000, and goodwill was recorded at \$76,784. As a result of the change in operating segments discussed in Note 23, goodwill associated with the acquisition of NorthStar has been allocated to the Energy Systems and Specialty segments on a relative fair value basis. The useful lives of technology were estimated at 10 years, customer relationships were estimated at 15 to 18 years and trademarks were estimated at 5 years. Goodwill deductible for tax purposes is \$68,522.

During fiscal 2021, the Company finalized the measurement of all provisional amounts recognized in connection with the NorthStar business combination. The purchase accounting adjustments resulted in an increase to goodwill by \$2,996 as a result of finalizing income tax accounting.

The results of the NorthStar acquisition have been included in the Company’s results of operations from the date of acquisition. Pro forma earnings and earnings per share computations have not been presented as this acquisition is not considered material.

*Alpha*

On December 7, 2018, the Company completed the acquisition of all of the issued and outstanding common stock of Alpha Technologies Services, Inc. (“ATS”) and Alpha Technologies Ltd. (“ATL”), resulting in ATS and ATL becoming wholly-owned subsidiaries of the Company (the “Alpha share purchase”). Additionally, the Company acquired substantially all of the assets of Alpha Technologies Inc. and certain assets of Altair Advanced Industries, Inc. and other affiliates of ATS and ATL (all such sellers, together with ATS and ATL, “Alpha”), in each case in accordance with the terms and conditions of certain restructuring agreements (collectively, the “Alpha asset acquisition” and together with the Alpha share purchase, the “Alpha acquisition”). Based in Bellingham, Washington, Alpha is a global industry leader in comprehensive commercial-grade energy solutions for broadband, telecom, renewable, industrial and traffic customers around the world. The initial purchase consideration for the Alpha acquisition was \$750,000, of which \$650,000 was paid in cash and the balance was settled by issuing 1,177,630 shares of EnerSys common stock. These shares were issued out of the Company’s treasury stock and were valued at \$84.92 per share, which was based on the thirty-day volume weighted average stock price of the Company’s common stock at closing, in accordance with the purchase agreement. The 1,177,630 shares had a closing date fair value of \$93,268, based upon the December 7, 2018, closing date spot rate of \$79.20. The total purchase consideration, consisting of cash paid of \$650,000, shares valued at \$93,268 and an adjustment for working capital (due post - closing from seller of \$766) was \$742,502. The Company funded the cash portion of the Alpha acquisition with borrowings from the Amended Credit Facility as defined in Note 10. See Note 10 for additional information.

The results of operations of Alpha have been included in the Company’s Energy Systems segment.

For the period ended March 31, 2019, that EnerSys owned Alpha, the contribution of the acquisition to net sales was \$162,454 and net loss of \$1,252, excluding the effect of the transaction and integration costs, and interest expense on the debt to finance the acquisition.

The Company finalized the measurement of all provisional amounts recognized for the Alpha business combination in fiscal 2020. The final amounts recognized in connection with the Alpha business combination are in the table below.

Accounts receivable	\$	115,467
Inventories		84,297
Other current assets		6,822
Other intangible assets		332,000
Property, plant and equipment		20,987
Other assets		9,005
Total assets acquired	\$	568,578
Accounts payable		35,803
Accrued liabilities		41,918
Deferred income taxes		54,941
Other liabilities		12,642
Total liabilities assumed	\$	145,304
Net assets acquired	\$	423,274
Purchase price:		
Cash paid for net assets acquired	\$	650,000
Fair value of shares issued for net assets acquired		93,268
Working capital adjustment		(766)
Total purchase consideration		742,502
Less: Fair value of acquired identifiable assets and liabilities		423,274
Goodwill	\$	319,228

The following table summarizes the fair value of Alpha's identifiable intangible assets and their respective lives:

	Type	Life in Years	Fair Value
Trademarks	Indefinite-lived	Indefinite	\$ 56,000
Customer relationships	Finite-lived	14	221,000
Technology	Finite-lived	10	55,000
Total identifiable intangible assets			\$ 332,000

As of March 31, 2021, goodwill deductible for tax purposes relating to Alpha is \$28,525.

The following unaudited summary information is presented on a consolidated pro forma basis as if the acquisition had occurred on April 1, 2018:

	Fiscal year ended March 31, 2019
Net sales	\$ 3,250,332
Net earnings attributable to EnerSys stockholders	181,915
Net earnings per share attributable to EnerSys stockholders - basic	4.19
Net earnings per share attributable to EnerSys stockholders - assuming dilution	4.12

The pro forma amounts include additional interest expense on the debt issued to finance the purchases, amortization and depreciation expense based on the estimated fair value and useful lives of intangible assets and plant assets, and related tax effects. The pro forma results are not necessarily indicative of the combined results had the Alpha acquisition been completed on April 1, 2018, nor are they indicative of future combined results. The pro forma results for the twelve months of fiscal 2019 exclude pre-tax transaction costs of \$12,883, as well as the pre-tax amortization of the acquisition date step up to fair value of inventories of \$7,263 as they are considered non-recurring in nature. The remeasurement of Alpha's deferred taxes due to the Tax Act are being excluded in arriving at these pro forma results.

## 5. Inventories

	March 31,	
	2021	2020
Raw materials	\$ 147,040	\$ 141,906
Work-in-process	97,715	91,520
Finished goods	273,492	286,034
Total	\$ 518,247	\$ 519,460

## 6. Property, Plant, and Equipment

Property, plant, and equipment consist of:

	March 31,	
	2021	2020
Land, buildings, and improvements	\$ 313,031	\$ 291,271
Machinery and equipment	822,725	722,955
Construction in progress	60,049	93,921
	1,195,805	1,108,147
Less accumulated depreciation	(698,749)	(628,133)
Total	\$ 497,056	\$ 480,014

Depreciation expense for the fiscal years ended March 31, 2021, 2020 and 2019 totaled \$60,956, \$56,331, and \$48,618, respectively. Interest capitalized in connection with major capital expenditures amounted to \$1,319, \$2,030, and \$1,581 for the fiscal years ended March 31, 2021, 2020 and 2019, respectively.



## 7. Goodwill and Other Intangible Assets

### Other Intangible Assets

Information regarding the Company's other intangible assets are as follows:

	March 31,					
	2021			2020		
	Gross Amount	Accumulated Amortization	Net Amount	Gross Amount	Accumulated Amortization	Net Amount
<b>Indefinite-lived intangible assets:</b>						
Trademarks	\$ 148,164	\$ (953)	\$ 147,211	\$ 147,352	\$ (953)	\$ 146,399
<b>Finite-lived intangible assets:</b>						
Customer relationships	298,576	(87,308)	211,268	292,155	(64,855)	227,300
Non-compete	2,825	(2,825)	—	3,021	(2,817)	204
Technology	97,349	(29,561)	67,788	96,047	(20,349)	75,698
Trademarks	8,012	(3,381)	4,631	8,012	(1,928)	6,084
Licenses	1,196	(1,196)	—	1,196	(1,196)	—
<b>Total</b>	<b>\$ 556,122</b>	<b>\$ (125,224)</b>	<b>\$ 430,898</b>	<b>\$ 547,783</b>	<b>\$ (92,098)</b>	<b>\$ 455,685</b>

The Company's amortization expense related to finite-lived intangible assets was \$33,126, \$31,013, and \$14,730, for the years ended March 31, 2021, 2020 and 2019, respectively. The expected amortization expense based on the finite-lived intangible assets as of March 31, 2021, is \$32,624 in fiscal 2022, \$30,399 in fiscal 2023, \$27,545 in fiscal 2024, \$26,552 in fiscal 2025 and \$25,618 in fiscal 2026.

### Goodwill

Concurrent with the change in operating segments effective April 1, 2020, goodwill was reassigned to the affected reporting units that have been identified within each operating segment, using a relative fair value approach outlined in ASC 350, *Intangibles - Goodwill and Other*.

The following table presents the amount of goodwill that has been reassigned to each of the Company's reporting units as of April 1, 2020, using the relative fair value approach, as well as changes in the carrying amount of goodwill by segment during fiscal 2020 and 2021:

	Energy Systems	Motive Power	Specialty	Americas <sup>(2)</sup>	EMEA	Asia <sup>(2)</sup>	Total
Balance at April 1, 2019	\$ —	\$ —	\$ —	\$ 470,194	\$ 143,269	\$ 42,936	\$ 656,399
Acquisitions during the year	—	—	—	72,056	1,732	—	73,788
Measurement period adjustments	—	—	—	(1,390)	—	—	(1,390)
Goodwill impairment charge	—	—	—	—	—	(39,713)	(39,713)
Foreign currency translation adjustment	—	—	—	(16,704)	(5,221)	(3,223)	(25,148)
Balance at March 31, 2020	—	—	—	524,156	139,780	—	663,936
Reallocation to new Reporting Units <sup>(1)</sup>	263,150	308,497	92,289	(524,156)	(139,780)	—	—
Balance at April 1, 2020	263,150	308,497	92,289	—	—	—	663,936
Measurement period adjustments	1,348	—	1,648	—	—	—	2,996
Foreign currency translation adjustment	15,178	18,558	4,925	—	—	—	38,661
Balance at March 31, 2021	\$ 279,676	\$ 327,055	\$ 98,862	\$ —	\$ —	\$ —	\$ 705,593

(1) Represents the reallocation of goodwill as a result of the Company reorganizing its segments as described in Note 1.

(2) Goodwill is net of accumulated impairment charges of \$57,845 and \$44,892 in the legacy Americas and Asia reporting units, respectively, as of March 31, 2020.

**Impairment of goodwill, finite and indefinite-lived intangibles**

Goodwill is tested annually for impairment during the fourth quarter or earlier upon the occurrence of certain events or substantive changes in circumstances that indicate goodwill is more likely than not impaired. The Company did not record any impairment relating to its goodwill and intangible assets during fiscal 2021 and 2019.

In the fourth quarter of fiscal 2020, the Company conducted its annual goodwill impairment test which indicated that the fair value of its legacy Asia reporting unit was less than its carrying value. The Company recorded a non-cash charge of \$39,713 related to goodwill impairment in Asia under the caption "Impairment of goodwill" in the Consolidated Statements of Income. The Company also recorded a non-cash charge of \$4,549 related to impairment of indefinite-lived trademarks in its legacy EMEA reportable segment under the caption "Impairment of indefinite-lived intangibles" in the Consolidated Statements of Income. The key factors contributing to the impairment in Asia was the increasing pressure on organic sales growth that the Company began to experience in fiscal 2019 due to a slowdown in telecom spending in the People's Republic of China ("PRC") amidst growing trade tensions between the U.S.A and China. The impact of these trade tensions on the Company's ability to capture market share in the PRC accelerated in the second half of the fiscal year. Throughout fiscal 2020, there was a general slowdown in the Chinese economy which was further exacerbated by the outbreak of the COVID -19 pandemic, causing disruption to two of the Company's plants in China in the fourth quarter. Also contributing to the poor performance of the Asia region was a general softening of demand in Australia, that began in fiscal 2019 and continued throughout fiscal 2020. The Company monitored the performance of its Asia reporting unit for interim impairment indicators throughout fiscal 2020, but the emergence of COVID-19 in China in December 2019 coupled with the totality of economic headwinds in the region resulted in the recognition of a goodwill impairment loss in connection with its annual impairment test.

During the fourth quarter of fiscal 2020, management completed its evaluation of key inputs used to estimate the fair value of its indefinite-lived trademarks and determined that an impairment charge relating to two of its trademarks in EMEA, that were acquired through legacy acquisitions was appropriate, as it plans to phase out these trademarks.

The Company estimated tax-deductible goodwill to be approximately \$110,063 and \$120,708 as of March 31, 2021 and 2020, respectively.

**8. Prepaid and Other Current Assets**

Prepaid and other current assets consist of the following:

	March 31,	
	2021	2020
Contract assets	\$ 46,451	\$ 39,048
Prepaid non-income taxes	25,251	23,069
Non-trade receivables	10,925	19,380
Prepaid income taxes	6,562	13,062
Other	28,492	26,034
Total	<u>\$ 117,681</u>	<u>\$ 120,593</u>

## 9. Accrued Expenses

Accrued expenses consist of the following:

	March 31,	
	2021	2020
Payroll and benefits	\$ 92,305	\$ 62,131
Accrued selling expenses	47,364	43,292
Hagen exit related accruals	24,593	—
Operating lease liabilities	21,774	21,128
Warranty	18,982	27,766
Contract liabilities	15,992	17,342
VAT and other non-income taxes	14,267	14,209
Freight	13,097	14,222
Interest	10,592	11,180
Tax Act - Transition Tax	6,172	6,172
Income taxes payable	5,683	304
Restructuring	2,595	3,325
Pension	1,514	1,350
Other	43,793	49,319
<b>Total</b>	<b>\$ 318,723</b>	<b>\$ 271,740</b>

## 10. Debt

The following summarizes the Company's long-term debt as of March 31, 2021 and March 31, 2020:

	2021		2020	
	Principal	Unamortized Issuance Costs	Principal	Unamortized Issuance Costs
Senior Notes	\$ 600,000	\$ 5,106	\$ 600,000	\$ 6,306
Amended Credit Facility, due 2022	376,039	1,315	513,224	2,187
	<u>\$ 976,039</u>	<u>\$ 6,421</u>	<u>\$ 1,113,224</u>	<u>\$ 8,493</u>
Less: Unamortized issuance costs	6,421		8,493	
<b>Long-term debt, net of unamortized issuance costs</b>	<b>\$ 969,618</b>		<b>\$ 1,104,731</b>	

The Company's Senior Notes comprise the following:

### 4.375% Senior Notes due 2027

On December 11, 2019, the Company issued \$300,000 in aggregate principal amount of its 4.375% Senior Notes due December 15, 2027 (the "2027 Notes"). Proceeds from this offering, net of debt issuance costs were \$296,250 and were utilized to pay down the Amended 2017 Revolver (defined below). The 2027 Notes bear interest at a rate of 4.375% per annum accruing from December 11, 2019. Interest is payable semiannually in arrears on June 15 and December 15 of each year, commencing on June 15, 2020. The 2027 Notes mature on December 15, 2027, unless earlier redeemed or repurchased in full and are unsecured and unsubordinated obligations of the Company. They are fully and unconditionally guaranteed, jointly and severally, by certain of its subsidiaries that are guarantors under the Amended Credit Facility. These guarantees are unsecured and unsubordinated obligations of such guarantors.

The Company may redeem, prior to September 15, 2027, all or a portion of the 2027 Notes at a price equal to 100% of the principal amount of the 2027 Notes to be redeemed, plus accrued and unpaid interest and a "make whole" premium to, but excluding, the redemption date. The Company may redeem, on or after September 15, 2027, all or a portion of the 2027 Notes at a price equal to 100% of the principal amount of the 2027 Notes, plus accrued and unpaid interest to, but excluding, the redemption date. If a change of control triggering event occurs, the Company will be required to offer to repurchase the 2027

Notes at a price in cash equal to 101% of the aggregate principal amount of the 2027 Notes, plus accrued and unpaid interest to, but excluding, the date of repurchase. The 2027 Notes rank pari passu with the 2023 Notes.

### **5.00% Senior Notes due 2023**

The 5% Senior Notes due April 30, 2023 (the “2023 Notes”) bear interest at a rate of 5.00% per annum and have an original face value of \$300,000. Interest is payable semiannually in arrears on April 30 and October 30 of each year and commenced on October 30, 2015. The 2023 Notes will mature on April 30, 2023, unless earlier redeemed or repurchased in full. The 2023 Notes are unsecured and unsubordinated obligations of the Company. The 2023 Notes are fully and unconditionally guaranteed, jointly and severally, by certain of its subsidiaries that are guarantors under the Amended Credit Facility. These guarantees are unsecured and unsubordinated obligations of such guarantors.

### **2017 Credit Facility and Subsequent Amendment**

In fiscal 2018, the Company entered into a credit facility (the “2017 Credit Facility”). The 2017 Credit Facility scheduled to mature on September 30, 2022, initially comprised a \$600,000 senior secured revolving credit facility (“2017 Revolver”) and a \$150,000 senior secured term loan (“2017 Term Loan”). The Company utilized the borrowings from the 2017 Credit Facility to repay its pre-existing credit facility.

In fiscal 2019, the Company amended the 2017 Credit Facility (as amended, the “Amended Credit Facility”) to fund the Alpha acquisition. The Amended Credit Facility consists of \$449,105 senior secured term loans (the “Amended 2017 Term Loan”), including a CAD 133,050 (\$99,105) term loan and a \$700,000 senior secured revolving credit facility (the “Amended 2017 Revolver”). The amendment resulted in an increase of the 2017 Term Loan and the 2017 Revolver by \$299,105 and \$100,000, respectively.

Subsequent to the amendment, the quarterly installments payable on the Amended 2017 Term Loan are \$5,645 beginning December 31, 2018, \$8,468 beginning December 31, 2019 and \$11,290 beginning December 31, 2020 with a final payment of \$320,000 on September 30, 2022. The Amended Credit Facility may be increased by an aggregate amount of \$325,000 in revolving commitments and /or one or more new tranches of term loans, under certain conditions. Both the Amended 2017 Revolver and the Amended 2017 Term Loan bear interest, at the Company's option, at a rate per annum equal to either (i) the London Interbank Offered Rate (“LIBOR”) or Canadian Dollar Offered Rate (“CDOR”) plus (i) LIBOR plus between 1.25% and 2.00% (currently 1.25% and based on the Company's consolidated net leverage ratio) or (ii) the U.S. Dollar Base Rate (which equals, for any day a fluctuating rate per annum equal to the highest of (a) the Federal Funds Effective Rate plus 0.50%, (b) Bank of America “Prime Rate” and (c) the Eurocurrency Base Rate plus 1%; provided that, if the Base Rate shall be less than zero, such rate shall be deemed zero) (iii) the CDOR Base Rate equal to the higher of (a) Bank of America “Prime Rate” and (b) average 30-day CDOR rate plus 0.50%. Obligations under the Amended Credit Facility are secured by substantially all of the Company's existing and future acquired assets, including substantially all of the capital stock of the Company's United States subsidiaries that are guarantors under the Amended Credit Facility and up to 65% of the capital stock of certain of the Company's foreign subsidiaries that are owned by the Company's United States subsidiaries.

The Amended Credit Facility allows for up to two temporary increases in the maximum leverage ratio from 3.50x to 4.00x for a four quarter period following an acquisition larger than \$250,000. Effective December 7, 2018 through December 28, 2019, the maximum leverage ratio was increased to 4.00x. On December 29, 2019, the maximum leverage ratio returned to 3.50x.

As of March 31, 2021, the Company had \$0 outstanding under the Amended 2017 Revolver and \$376,039 under the Amended 2017 Term Loan.

The current portion of the Amended 2017 Term Loan of \$45,579 is classified as long-term debt as the Company expects to refinance the future quarterly payments with revolver borrowings under the Amended Credit Facility.

### **Interest Rates on Long Term Debt**

The weighted average interest rate on the long term debt at March 31, 2021 and March 31, 2020, was 3.5% and 3.7%, respectively.

**Interest Paid**

The Company paid in cash, \$36,365, \$38,632 and \$29,552, net of interest received, for interest during the fiscal years ended March 31, 2021, 2020 and 2019, respectively.

**Covenants**

The Company's financing agreements contain various covenants, which, absent prepayment in full of the indebtedness and other obligations, or the receipt of waivers, would limit the Company's ability to conduct certain specified business transactions including incurring debt, mergers, consolidations or similar transactions, buying or selling assets out of the ordinary course of business, engaging in sale and leaseback transactions, paying dividends and certain other actions. The Company is in compliance with all such covenants.

**Short-Term Debt**

As of March 31, 2021 and 2020, the Company had \$34,153 and \$46,544, respectively, of short-term borrowings. The weighted-average interest rate on these borrowings was approximately 2% and 3%, respectively, for fiscal years ended March 31, 2021 and 2020.

**Letters of Credit**

As of March 31, 2021 and 2020, the Company had \$2,959 and \$7,720, respectively, of standby letters of credit.

**Debt Issuance Costs**

In fiscal 2020, the Company capitalized \$4,607 of debt issuance costs in connection with the issuance of the 2027 Notes. In fiscal 2019, the Company capitalized \$1,393 in debt issuance costs and wrote off \$483 of unamortized debt issuance costs related to the Amended Credit Facility. Amortization expense, relating to debt issuance costs, included in interest expense was \$2,072, \$1,673, and \$1,316 for the fiscal years ended March 31, 2021, 2020 and 2019, respectively. Debt issuance costs, net of accumulated amortization, totaled \$6,421 and \$8,493 as of March 31, 2021 and 2020, respectively.

**Available Lines of Credit**

As of March 31, 2021 and 2020, the Company had available and undrawn, under all its lines of credit, \$697,875 and \$693,640, respectively, including \$122,303 and \$105,946, respectively, of uncommitted lines of credit as of March 31, 2021 and March 31, 2020.

**11. Other Liabilities**

Other liabilities consist of the following:

	March 31,	
	2021	2020
Tax Act - Transition Tax	\$ 53,045	\$ 58,630
Operating lease liabilities	42,528	51,215
Pension	40,450	40,496
Warranty	39,980	35,759
Liability for uncertain tax positions	7,185	8,080
Contract liabilities	2,072	8,356
Other	10,508	11,280
Total	<u>\$ 195,768</u>	<u>\$ 213,816</u>

## 12. Fair Value of Financial Instruments

### Recurring Fair Value Measurements

The following tables represent the financial assets and (liabilities) measured at fair value on a recurring basis as of March 31, 2021 and March 31, 2020 and the basis for that measurement:

	Total Fair Value Measurement March 31, 2021	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Lead forward contracts	\$ (1,980)	\$ —	\$ (1,980)	\$ —
Foreign currency forward contracts	424	—	424	—
Total derivatives	\$ (1,556)	\$ —	\$ (1,556)	\$ —

	Total Fair Value Measurement March 31, 2020	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Lead forward contracts	\$ (2,433)	\$ —	\$ (2,433)	\$ —
Foreign currency forward contracts	1	—	1	—
Total derivatives	\$ (2,432)	\$ —	\$ (2,432)	\$ —

The fair values of lead forward contracts are calculated using observable prices for lead as quoted on the London Metal Exchange (“LME”) and, therefore, were classified as Level 2 within the fair value hierarchy as described in Note 1, Summary of Significant Accounting Policies.

The fair values for foreign currency forward contracts are based upon current quoted market prices and are classified as Level 2 based on the nature of the underlying market in which these derivatives are traded.

### Financial Instruments

The fair values of the Company’s cash and cash equivalents approximate carrying value due to their short maturities.

The fair value of the Company’s short-term debt and borrowings under the Amended Credit Facility (as defined in Note 10), approximate their respective carrying value, as they are variable rate debt and the terms are comparable to market terms as of the balance sheet dates and are classified as Level 2.

The fair value of the Company’s 2027 Notes and 2023 Notes, (collectively, the “Senior Notes”) represent the trading values based upon quoted market prices and are classified as Level 2. The 2027 Notes were trading at approximately 102% and 94% of face value on March 31, 2021 and March 31, 2020, respectively. The 2023 Notes were trading at approximately 105% and 97% of face value on March 31, 2021 and March 31, 2020, respectively.

The carrying amounts and estimated fair values of the Company's derivatives and Senior Notes at March 31, 2021 and 2020 were as follows:

	March 31, 2021		March 31, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial assets:</b>				
Derivatives <sup>(1)</sup>	\$ —	\$ —	\$ —	\$ —
<b>Financial liabilities:</b>				
Senior Notes <sup>(2)</sup>	\$ 600,000	\$ 621,000	\$ 600,000	\$ 573,000
Derivatives <sup>(1)</sup>	1,556	1,556	2,432	2,432

(1) Represents lead and foreign currency forward contracts (see Note 13 for asset and liability positions of the lead and foreign currency forward contracts at March 31, 2021 and March 31, 2020).

(2) The fair value amount of the Senior Notes at March 31, 2021 and March 31, 2020 represent the trading value of the instruments.

### Non-recurring fair value measurements

The valuation of goodwill and other intangible assets is based on information and assumptions available to the Company at the time of acquisition, using income and market approaches to determine fair value. The Company tests goodwill and other intangible assets annually for impairment, or when indications of potential impairment exist (see Note 1).

Goodwill is tested for impairment by determining the fair value of the Company's reporting units. The unobservable inputs used to measure the fair value of the reporting units include projected growth rates, profitability, and the risk factor premium added to the discount rate. The remeasurement of the reporting unit fair value is classified as a Level 3 fair value assessment due to the significance of unobservable inputs developed using company-specific information.

The inputs used to measure the fair value of other intangible assets were largely unobservable and accordingly were also classified as Level 3. The fair value of trademarks is based on an estimate of the royalties saved that would have been paid to a third party had the Company not owned the trademark. The fair value of other indefinite-lived intangibles was estimated using the income approach, based on cash flow projections of revenue growth rates, taking into consideration industry and market conditions.

In connection with the annual impairment testing conducted as of December 30, 2019 for fiscal 2020, two of the Company's indefinite-lived trademarks, that were acquired through legacy acquisitions were recorded at fair value on a non-recurring basis at \$1,700 and the remeasurement resulted in an impairment of \$4,549. In determining the fair value of these assets, the Company used a royalty rate of 1.25% based on comparable market rates and used a discount rate of 13.0%.

These impairment charges relating to goodwill and indefinite-lived trademarks are included under the captions *Impairment of goodwill* and *Impairment of indefinite-lived intangibles* in the Consolidated Statements of Income.

On November 11, 2020, the Company committed to a plan to substantially close its facility in Hagen, Germany, which produces flooded motive power batteries for forklifts. Management determined that future demand for the motive power batteries produced at this facility was not sufficient, given the conversion from flooded to maintenance free batteries by customers, the existing number of competitors in the market, as well as the near term decline in demand and increased uncertainty from the pandemic. As a result, the Company concluded that the carrying value of the asset group is not recoverable and recorded a write-off of \$3,975 of the fixed assets to their estimated fair value of \$14,456, which was recognized in the third quarter of fiscal 2021. The valuation technique used to measure the fair value of fixed assets was a combination of the income and market approaches. The inputs used to measure the fair value of these fixed assets under the income approach were largely unobservable and accordingly were classified as Level 3.

On March 5, 2019, the Company committed to a plan to close its facility in Targovishte, Bulgaria, which produced diesel-electric submarine batteries. Management determined that the future demand for batteries of diesel-electric submarines was not sufficient given the number of competitors in the market. As a result, the Company concluded that the carrying value of the asset group is not recoverable and recorded a write-off of \$14,958 in the fixed assets to their estimated fair value of \$242, which was recognized in the fourth quarter of fiscal 2019. The valuation technique used to measure the fair value of fixed assets was a

combination of the income and market approaches. The inputs used to measure the fair value of these fixed assets under the income approach were largely unobservable and accordingly were classified as Level 3.

### **13. Derivative Financial Instruments**

The Company utilizes derivative instruments to reduce its exposure to fluctuations in commodity prices and foreign exchange rates, under established procedures and controls. The Company does not enter into derivative contracts for speculative purposes. The Company's agreements are with creditworthy financial institutions and the Company anticipates performance by counterparties to these contracts and therefore no material loss is expected.

#### ***Derivatives in Cash Flow Hedging Relationships***

##### *Lead Forward Contracts*

The Company enters into lead forward contracts to fix the price for a portion of its lead purchases. Management considers the lead forward contracts to be effective against changes in the cash flows of the underlying lead purchases. The vast majority of such contracts are for a period not extending beyond one year. At March 31, 2021 and 2020, the Company has hedged the price to purchase approximately 54.5 million pounds and 35.0 million pounds of lead, respectively, for a total purchase price of \$50,567 and \$30,078, respectively.

##### *Foreign Currency Forward Contracts*

The Company uses foreign currency forward contracts and options to hedge a portion of the Company's foreign currency exposures for lead, as well as other foreign currency exposures so that gains and losses on these contracts offset changes in the underlying foreign currency denominated exposures. The vast majority of such contracts are for a period not extending beyond one year. As of March 31, 2021 and 2020, the Company had entered into a total of \$26,033 and \$34,008, respectively, of such contracts.

In the coming twelve months, the Company anticipates that \$597 of pretax gain relating to lead and foreign currency forward contracts will be reclassified from AOCI as part of cost of goods sold. This amount represents the current net unrealized impact of hedging lead and foreign exchange rates, which will change as market rates change in the future, and will ultimately be realized in the Consolidated Statements of Income as an offset to the corresponding actual changes in lead costs to be realized in connection with the variable lead cost and foreign exchange rates being hedged.

#### ***Derivatives not Designated in Hedging Relationships***

##### *Foreign Currency Forward Contracts*

The Company also enters into foreign currency forward contracts to economically hedge foreign currency fluctuations on intercompany loans and foreign currency denominated receivables and payables. These are not designated as hedging instruments and changes in fair value of these instruments are recorded directly in the Consolidated Statements of Income. As of March 31, 2021 and 2020, the notional amount of these contracts was \$28,995 and \$42,232, respectively.



Presented below in tabular form is information on the location and amounts of derivative fair values in the Consolidated Balance Sheets and derivative gains and losses in the Consolidated Statements of Income:

<b>Fair Value of Derivative Instruments</b>					
<b>March 31, 2021 and 2020</b>					
	Derivatives and Hedging Activities Designated as Cash Flow Hedges		Derivatives and Hedging Activities Not Designated as Hedging Instruments		
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	
<b>Prepaid and other current assets:</b>					
Foreign currency forward contracts	\$ 524	\$ —	\$ —	\$ 375	
<b>Total assets</b>	<b>\$ 524</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 375</b>	
<b>Accrued expenses:</b>					
Lead forward contracts	\$ 1,980	\$ 2,433	\$ —	\$ —	
Foreign currency forward contracts	—	374	100	—	
<b>Total liabilities</b>	<b>\$ 1,980</b>	<b>\$ 2,807</b>	<b>\$ 100</b>	<b>\$ —</b>	

**The Effect of Derivative Instruments on the Consolidated Statements of Income**  
**For the fiscal year ended March 31, 2021**

Derivatives Designated as Cash Flow Hedges	Pretax Gain (Loss) Recognized in AOCI on Derivative (Effective Portion)	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Pretax Gain (Loss) Reclassified from AOCI into Income (Effective Portion)
Lead forward contracts	\$ 202	Cost of goods sold	\$ (7,411)
Foreign currency forward contracts	130	Cost of goods sold	(492)
<b>Total</b>	<b>\$ 332</b>		<b>\$ (7,903)</b>

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Pretax Gain (Loss)
Foreign currency forward contracts	Other (income) expense, net	\$ 430
<b>Total</b>		<b>\$ 430</b>

**The Effect of Derivative Instruments on the Consolidated Statements of Income**  
**For the fiscal year ended March 31, 2020**

Derivatives Designated as Cash Flow Hedges	Pretax Gain (Loss) Recognized in AOCI on Derivative (Effective Portion)	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Pretax Gain (Loss) Reclassified from AOCI into Income (Effective Portion)
Lead forward contracts	\$ (8,683)	Cost of goods sold	\$ (1,690)
Foreign currency forward contracts	(54)	Cost of goods sold	539
<b>Total</b>	<b>\$ (8,737)</b>		<b>\$ (1,151)</b>

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Pretax Gain (Loss)
Foreign currency forward contracts	Other (income) expense, net	\$ (178)
<b>Total</b>		<b>\$ (178)</b>

**The Effect of Derivative Instruments on the Consolidated Statements of Income  
For the fiscal year ended March 31, 2019**

Derivatives Designated as Cash Flow Hedges	Pretax Gain (Loss) Recognized in AOCI on Derivative (Effective Portion)	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Pretax Gain (Loss) Reclassified from AOCI into Income (Effective Portion)
Lead forward contracts	\$ (12,531)	Cost of goods sold	\$ (15,666)
Foreign currency forward contracts	1,551	Cost of goods sold	385
<b>Total</b>	<b>\$ (10,980)</b>		<b>\$ (15,281)</b>

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income on Derivatives	Pretax Gain (Loss)
Foreign currency forward contracts	Other (income) expense, net	\$ (1,856)
<b>Total</b>		<b>\$ (1,856)</b>

#### 14. Income Taxes

	Fiscal year ended March 31,		
	2021	2020	2019
<b>Current income tax expense</b>			
Current:			
Federal	\$ 12,591	\$ 9,185	\$ 6,377
State	4,133	2,561	5,027
Foreign	19,031	14,561	16,636
Total current income tax expense	35,755	26,307	28,040
<b>Deferred income tax (benefit) expense</b>			
Federal	1,495	5,489	(5,031)
State	735	741	(669)
Foreign	(11,224)	(22,716)	(756)
Total deferred income tax (benefit) expense	(8,994)	(16,486)	(6,456)
Total income tax expense	\$ 26,761	\$ 9,821	\$ 21,584

Earnings before income taxes consists of the following:

	Fiscal year ended March 31,		
	2021	2020	2019
United States	\$ 56,055	\$ 36,193	\$ 53,339
Foreign	114,080	110,744	128,872
<b>Earnings before income taxes</b>	<b>\$ 170,135</b>	<b>\$ 146,937</b>	<b>\$ 182,211</b>

Income taxes paid by the Company for the fiscal years ended March 31, 2021, 2020 and 2019 were \$32,002, \$48,653 and \$53,866, respectively.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was signed into law in the U.S. to provide certain relief as a result of the COVID-19 pandemic. In addition, governments around the world have enacted or implemented various forms of tax relief measures in response to the economic conditions in the wake of COVID-19. As of March 31, 2021, neither the CARES Act nor changes to income tax laws or regulations in other jurisdictions had a significant impact on the Company’s effective tax rate.

The following table sets forth the tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities:

	March 31,	
	2021	2020
<b>Deferred tax assets:</b>		
Accounts receivable	\$ 2,029	\$ 1,110
Inventories	8,831	5,010
Net operating loss carryforwards	62,663	44,340
Lease liabilities	15,685	18,168
Accrued expenses	36,775	26,113
Other assets	18,173	19,793
Gross deferred tax assets	144,156	114,534
Less valuation allowance	(31,928)	(20,951)
Total deferred tax assets	112,228	93,583
<b>Deferred tax liabilities:</b>		
Property, plant and equipment	38,364	30,229
Lease Right-of-use assets	15,685	18,168
Intangible assets	66,743	66,529
Other liabilities	2,636	1,217
Total deferred tax liabilities	123,428	116,143
Net deferred tax liabilities	\$ (11,200)	\$ (22,560)

The Company has approximately \$1,078 in United States federal net operating loss carryforwards, all of which are limited by Section 382 of the Internal Revenue Code, with expirations between 2023 and 2027. The Company has approximately \$235,225 of foreign net operating loss carryforwards, of which \$186,816 may be carried forward indefinitely and \$48,409 expire between fiscal 2022 and fiscal 2041. In addition, the Company also has approximately \$28,955 of state net operating loss carryforwards with expirations between fiscal 2022 and fiscal 2041.

The following table sets forth the changes in the Company's valuation allowance for fiscal 2021, 2020 and 2019:

	Balance at Beginning of Period	Additions Charged to Expense	Valuation Allowance Reversal	Business Combination Adjustments	Other <sup>(1)</sup>	Balance at End of Period
Fiscal year ended March 31, 2019	\$ 15,255	\$ 2,978	\$ (99)	\$ 1,157	\$ (1,772)	\$ 17,519
Fiscal year ended March 31, 2020	17,519	7,494	(3,145)	(688)	(229)	20,951
Fiscal year ended March 31, 2021	20,951	8,437	(2,904)	6,384	(940)	31,928

(1) Includes the impact of currency changes and the expiration of net operating losses for which a full valuation allowance was recorded.

As of March 31, 2021 and 2020, the Company had no federal valuation allowance and the valuation allowance associated with the state tax jurisdictions was \$686 and \$896, respectively.

As of March 31, 2021 and 2020, the valuation allowance associated with certain foreign tax jurisdictions was \$31,242 and \$20,055, respectively. Of the net increase of \$11,187, \$5,743 was recorded as an increase to tax expense primarily related to deferred tax assets generated in the current year that the Company believes are not more likely than not to be realized. Of the remaining increase, \$6,384 is related to purchase accounting from the prior year acquisition offset by \$(940) primarily related to foreign currency translation adjustments and foreign net operating losses for which a full valuation allowance was recorded.

A reconciliation of income taxes at the statutory rate (21.0% for fiscal 2021, 2020 and 2019) to the income tax provision is as follows:

	Fiscal year ended March 31,		
	2021	2020	2019
United States statutory income tax expense	\$ 35,729	\$ 30,857	\$ 38,264
Increase (decrease) resulting from:			
Impact of Tax Act	—	—	(13,483)
State income taxes, net of federal effect	4,000	2,764	3,285
Nondeductible expenses and other	5,273	5,953	4,378
Legal proceedings charge - European Competition Investigations	—	—	2,405
Net effect of GILTI, FDII, BEAT	1,985	3,025	2,320
Goodwill impairment - See Note 7	—	10,714	—
Effect of foreign operations	(20,035)	(17,605)	(16,763)
Valuation allowance	5,533	4,349	2,879
Switzerland Tax Reform	(1,883)	(26,846)	—
Research and Development Credit	(3,841)	(3,390)	(1,701)
Income tax expense	<u>\$ 26,761</u>	<u>\$ 9,821</u>	<u>\$ 21,584</u>

The effective income tax rates for the fiscal years ended March 31, 2021, 2020 and 2019 were 15.7%, 6.7% and 11.9%, respectively. The effective income tax rate with respect to any period may be volatile based on the mix of income in the tax jurisdictions in which the Company operates and the amount of its consolidated income before taxes. The rate increase in fiscal 2021 compared to fiscal 2020 is primarily due to Swiss tax reform, partially offset by the Hagen, Germany exit charges and changes in the mix of earnings among tax jurisdictions. The rate decrease in fiscal 2020 compared to fiscal 2019 is primarily due to changes in mix of earnings among tax jurisdictions, Swiss tax reform, and items related to the Tax Act in fiscal 2019.

On May 19, 2019, a public referendum held in Switzerland approved the Federal Act on Tax Reform and AHV (Old-Age and Survivors Insurance) Financing (TRAF) as adopted by the Swiss Federal Parliament on September 28, 2018. The Swiss tax reform measures were effective January 1, 2020. The Company recorded a net deferred tax asset of \$22,500 during fiscal 2020, related to the amortizable goodwill and based on further evaluation with the Swiss tax authority, recorded an additional income tax benefit of \$1,883 during fiscal 2021.

In fiscal 2021, the foreign effective income tax rate on foreign pre-tax income of \$114,080 was 6.8%. In fiscal 2020, the foreign effective income tax rate on foreign pre-tax income of \$110,744 was (7.4)% and in fiscal 2019, the foreign effective income tax rate on foreign pre-tax income of \$128,872 was 12.3%. The rate increase in fiscal 2021 compared to fiscal 2020 is primarily due to Swiss tax reform, partially offset by the Hagen, Germany exit charges and changes in the mix of earnings among tax jurisdictions. The rate decrease in fiscal 2020 compared to fiscal 2019 is primarily due to Swiss tax reform and changes in the mix of earnings among tax jurisdictions.

Income from the Company's Swiss subsidiary comprised a substantial portion of its overall foreign mix of income for the fiscal years ended March 31, 2021, 2020 and 2019 and was taxed, excluding the impact from the Swiss tax reform, at approximately 8%, 3% and 4%, respectively.

The Company has approximately \$1,591,000 and \$1,376,000 of undistributed earnings of foreign subsidiaries for fiscal years 2021 and 2020, respectively. During fiscal 2021, previously undistributed earnings of certain foreign subsidiaries were no longer considered indefinitely reinvested. As a result, no additional income taxes have been provided as the Company had previously recognized a one-time transition tax on these earnings under the Tax Act. The Company intends to continue to be indefinitely reinvested on the remaining undistributed foreign earnings and outside basis differences and therefore, no additional income taxes have been provided.

## Uncertain Tax Positions

The following table summarizes activity of the total amounts of unrecognized tax benefits:

	Fiscal year ended March 31,		
	2021	2020	2019
Balance at beginning of year	\$ 7,795	\$ 20,165	\$ 1,568
Increases related to current year tax positions	346	598	129
Increases related to the Alpha acquisition	—	769	7,840
Increases related to prior year tax positions	325	—	11,463
Decreases related to prior tax positions	—	(11,463)	(544)
Decreases related to prior year tax positions settled	—	—	(93)
Lapse of statute of limitations	(1,681)	(2,274)	(198)
Balance at end of year	\$ 6,785	\$ 7,795	\$ 20,165

All of the balance of unrecognized tax benefits at March 31, 2021, if recognized, would be included in the Company's Consolidated Statements of Income and have a favorable impact on both the Company's net earnings and effective tax rate.

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction, and various states and foreign jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2010.

While the net effect on total unrecognized tax benefits cannot be reasonably estimated, approximately \$1,850 is expected to reverse in fiscal 2022 due to expiration of various statute of limitations.

The Company recognizes tax related interest and penalties in income tax expense in its Consolidated Statements of Income. As of March 31, 2021 and 2020, the Company had an accrual of \$400 and \$285, respectively, for interest and penalties.

## 15. Retirement Plans

### Defined Benefit Plans

The Company sponsors several retirement and pension plans covering eligible salaried and hourly employees. The Company uses a measurement date of March 31 for its pension plans.

Net periodic pension cost for fiscal 2021, 2020 and 2019, includes the following components:

	United States Plans			International Plans		
	Fiscal year ended March 31,			Fiscal year ended March 31,		
	2021	2020	2019	2021	2020	2019
Service cost	\$ —	\$ —	\$ —	\$ 993	\$ 906	\$ 997
Interest cost	533	616	631	1,388	1,485	1,831
Expected return on plan assets	(272)	(448)	(514)	(1,899)	(2,136)	(2,151)
Amortization and deferral	476	188	184	1,053	910	1,520
Net periodic benefit cost	\$ 737	\$ 356	\$ 301	\$ 1,535	\$ 1,165	\$ 2,197

The following table sets forth a reconciliation of the related benefit obligation, plan assets, and accrued benefit costs related to the pension benefits provided by the Company for those employees covered by defined benefit plans:

	United States Plans		International Plans	
	March 31,		March 31,	
	2021	2020	2021	2020
<b>Change in projected benefit obligation</b>				
Benefit obligation at the beginning of the period	\$ 18,111	\$ 16,647	\$ 68,602	\$ 75,038
Service cost	—	—	993	906
Interest cost	533	616	1,388	1,485
Benefits paid, inclusive of plan expenses	(802)	(1,132)	(2,087)	(2,262)
Plan curtailments and settlements	—	—	(91)	(678)
Actuarial losses (gains)	(36)	1,980	7,761	(3,024)
Foreign currency translation adjustment	—	—	6,686	(2,863)
Benefit obligation at the end of the period	\$ 17,806	\$ 18,111	\$ 83,252	\$ 68,602

**Change in plan assets**

Fair value of plan assets at the beginning of the period	\$ 12,036	\$ 13,763	\$ 32,831	\$ 36,791
Actual return on plan assets	4,379	(649)	6,272	(1,605)
Employer contributions	652	54	1,869	2,098
Benefits paid, inclusive of plan expenses	(802)	(1,132)	(2,087)	(2,262)
Plan curtailments and settlements	—	—	(91)	(482)
Foreign currency translation adjustment	—	—	4,050	(1,709)
Fair value of plan assets at the end of the period	\$ 16,265	\$ 12,036	\$ 42,844	\$ 32,831
Funded status deficit	\$ (1,541)	\$ (6,075)	\$ (40,408)	\$ (35,771)

	March 31,	
	2021	2020
Amounts recognized in the Consolidated Balance Sheets consist of:		
Non current assets	\$ 15	\$ —
Accrued expenses	(1,514)	(1,350)
Other liabilities	(40,450)	(40,496)
Funded status deficit	\$ (41,949)	\$ (41,846)

The following table represents pension components (before tax) and related changes (before tax) recognized in AOCI for the Company's pension plans for the years ended March 31, 2021, 2020 and 2019:

	Fiscal year ended March 31,		
	2021	2020	2019
<b>Amounts recorded in AOCI before taxes:</b>			
Prior service cost	\$ (230)	\$ (258)	\$ (307)
Net loss	(25,450)	(25,796)	(24,051)
Net amount recognized	<u>\$ (25,680)</u>	<u>\$ (26,054)</u>	<u>\$ (24,358)</u>
	Fiscal year ended March 31,		
	2021	2020	2019
<b>Changes in plan assets and benefit obligations:</b>			
New prior service cost	\$ —	\$ —	\$ —
Net loss (gain) arising during the year	(753)	3,793	(99)
Effect of exchange rates on amounts included in AOCI	1,909	(804)	(1,984)
<b>Amounts recognized as a component of net periodic benefit costs:</b>			
Amortization of prior service cost	(46)	(43)	(45)
Amortization or settlement recognition of net loss	(1,484)	(1,250)	(1,659)
Total recognized in other comprehensive (income) loss	<u>\$ (374)</u>	<u>\$ 1,696</u>	<u>\$ (3,787)</u>

The amounts included in AOCI as of March 31, 2021 that are expected to be recognized as components of net periodic pension cost (before tax) during the next twelve months are as follows:

Prior service cost	\$ (46)
Net loss	(1,163)
Net amount expected to be recognized	<u>\$ (1,209)</u>

The accumulated benefit obligation related to all defined benefit pension plans and information related to unfunded and underfunded defined benefit pension plans at the end of each fiscal year are as follows:

	United States Plans		International Plans	
	March 31,		March 31,	
	2021	2020	2021	2020
<b>All defined benefit plans:</b>				
Accumulated benefit obligation	\$ 17,806	\$ 18,111	\$ 78,360	\$ 65,336
<b>Unfunded defined benefit plans:</b>				
Projected benefit obligation	\$ —	\$ —	\$ 34,932	\$ 30,773
Accumulated benefit obligation	—	—	31,970	28,926
<b>Defined benefit plans with a projected benefit obligation in excess of the fair value of plan assets:</b>				
Projected benefit obligation	\$ 17,806	\$ 18,111	\$ 82,814	\$ 68,602
Fair value of plan assets	16,265	12,036	42,390	32,831
<b>Defined benefit plans with an accumulated benefit obligation in excess of the fair value of plan assets:</b>				
Projected benefit obligation	\$ 17,806	\$ 18,111	\$ 82,814	\$ 68,602
Accumulated benefit obligation	17,806	18,111	77,928	65,336
Fair value of plan assets	16,265	12,036	42,390	32,831

## Assumptions

Significant assumptions used to determine the net periodic benefit cost for the U.S. and International plans were as follows:

	United States Plans			International Plans		
	Fiscal year ended March 31,			Fiscal year ended March 31,		
	2021	2020	2019	2021	2020	2019
Discount rate	3.0 %	3.8 %	3.9 %	1.3%-2.3%	1.0%-2.7%	1.4%-3.3%
Expected return on plan assets	6.0	6.3	6.3	3.8-5.5	4.3-6.0	4.1-6.0
Rate of compensation increase	N/A	N/A	N/A	2.0-3.5	2.0-4.0	1.8-4.0

N/A = not applicable

Significant assumptions used to determine the projected benefit obligations for the U.S. and International plans were as follows:

	United States Plans		International Plans	
	March 31,		March 31,	
	2021	2020	2021	2020
Discount rate	3.0 %	3.0 %	0.5%-2.3%	1.3%-2.3%
Rate of compensation increase	N/A	N/A	1.5-4.0	2.0-3.5

N/A = not applicable

The United States plans do not include compensation in the formula for determining the pension benefit as it is based solely on years of service.

The expected long-term rate of return for the Company's pension plan assets is based upon the target asset allocation and is determined using forward looking assumptions in the context of historical returns and volatilities for each asset class, as well as correlations among asset classes. The Company evaluates the rate of return assumptions for each of its plans on an annual basis.

### Pension Plan Investment Strategy

The Company's investment policy emphasizes a balanced approach to investing in securities of high quality and ready marketability. Investment flexibility is encouraged so as not to exclude opportunities available through a diversified investment strategy.

Equity investments are maintained within a target range of 40% - 75% of the total portfolio market value for the U.S. plans and with a target of approximately 65% for international plans. Investments in debt securities include issues of various maturities, and the average quality rating of bonds should be investment grade with a minimum quality rating of "B" at the time of purchase.

The Company periodically reviews the asset allocation of its portfolio. The proportion committed to equities, debt securities and cash and cash equivalents is a function of the values available in each category and risk considerations. The plan's overall return will be compared to and is expected to meet or exceed established benchmark funds and returns over a three to five year period.

The objectives of the Company's investment strategies are: (a) the achievement of a reasonable long-term rate of total return consistent with an emphasis on preservation of capital and purchasing power, (b) stability of annual returns through a portfolio that reflects a conservative mix of risk versus return, and (c) reflective of the Company's willingness to forgo significantly above-average rewards in order to minimize above-average risks. These objectives may not be met each year but should be attained over a reasonable period of time.



The following table represents the Company's pension plan investments measured at fair value as of March 31, 2021 and 2020 and the basis for that measurement:

	March 31, 2021							
	United States Plans				International Plans			
	Total Fair Value Measurement	Quoted Price In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value Measurement	Quoted Price In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Asset category:</b>								
Cash and cash equivalents	\$ 1,454	\$ 1,454	\$ —	\$ —	\$ 81	\$ 81	\$ —	\$ —
<b>Equity securities</b>								
US <sup>(a)</sup>	10,435	10,435	—	—	—	—	—	—
International <sup>(b)</sup>	—	—	—	—	28,144	—	28,144	—
Fixed income <sup>(c)</sup>	4,376	4,376	—	—	14,619	—	14,619	—
<b>Total</b>	<u>\$ 16,265</u>	<u>\$ 16,265</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 42,844</u>	<u>\$ 81</u>	<u>\$ 42,763</u>	<u>\$ —</u>

	March 31, 2020							
	United States Plans				International Plans			
	Total Fair Value Measurement	Quoted Price In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value Measurement	Quoted Price In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Asset category:</b>								
Cash and cash equivalents	\$ 1,221	\$ 1,221	\$ —	\$ —	\$ 141	\$ 141	\$ —	\$ —
<b>Equity securities</b>								
US <sup>(a)</sup>	6,860	6,860	—	—	—	—	—	—
International <sup>(b)</sup>	—	—	—	—	20,059	—	20,059	—
Fixed income <sup>(c)</sup>	3,955	3,955	—	—	12,631	—	12,631	—
<b>Total</b>	<u>\$ 12,036</u>	<u>\$ 12,036</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 32,831</u>	<u>\$ 141</u>	<u>\$ 32,690</u>	<u>\$ —</u>

The fair values presented above were determined based on valuation techniques to measure fair value as discussed in Note 1.

- US equities include companies that are well diversified by industry sector and equity style (i.e., growth and value strategies). Active and passive management strategies are employed. Investments are primarily in large capitalization stocks and, to a lesser extent, mid- and small-cap stocks.
- International equities are invested in companies that are traded on exchanges outside the U.S. and are well diversified by industry sector, country and equity style. Active and passive strategies are employed. The vast majority of the investments are made in companies in developed markets with a small percentage in emerging markets.
- Fixed income consists primarily of investment grade bonds from diversified industries.

The Company expects to make cash contributions of approximately \$2,578 to its pension plans in fiscal 2022.

Estimated future benefit payments under the Company's pension plans are as follows:

2022	\$ 3,181
2023	3,253
2024	3,172
2025	3,794
2026	4,073
Years 2027-2031	22,308

*Defined Contribution Plan*

The Company maintains defined contribution plans primarily in the U.S. and U.K. Eligible employees can contribute a portion of their pre-tax and / or after-tax income in accordance with plan guidelines and the Company will make contributions based on the employees' eligible pay and /or will match a percentage of the employee contributions up to certain limits. Matching contributions charged to expense for the fiscal years ended March 31, 2021, 2020 and 2019 were \$16,460, \$15,835 and \$12,078, respectively.

**16. Stockholders' Equity***Preferred Stock and Common Stock*

The Company's certificate of incorporation authorizes the issuance of up to 1,000,000 shares of preferred stock, par value \$0.01 per share ("Preferred Stock"). At March 31, 2021 and 2020, no shares of Preferred Stock were issued or outstanding. The Board of Directors of the Company has the authority to specify the terms of any Preferred Stock at the time of issuance.

The following demonstrates the change in the number of shares of common stock outstanding during fiscal years ended March 31, 2019, 2020 and 2021, respectively:

Shares outstanding as of March 31, 2018	41,915,000
Purchase of treasury stock	(726,347)
Shares issued towards purchase consideration of Alpha acquisition	1,177,630
Shares issued towards equity-based compensation plans, net of equity awards surrendered for option price and taxes	254,467
Shares outstanding as of March 31, 2019	42,620,750
Purchase of treasury stock	(581,140)
Shares issued under equity-based compensation plans, net of equity awards surrendered for option price and taxes	283,695
Shares outstanding as of March 31, 2020	42,323,305
Purchase of treasury stock	—
Shares issued under equity-based compensation plans, net of equity awards surrendered for option price and taxes	429,715
Shares outstanding as of March 31, 2021	42,753,020

*Treasury Stock*

The Company did not purchase any shares in fiscal 2021 but purchased 581,140 shares for \$34,561 in fiscal 2020. In fiscal 2019, the Company purchased 726,347 shares of its common stock for \$56,436. At March 31, 2021 and 2020, the Company held 12,799,790 and 12,791,503 shares as treasury stock, respectively.

*Treasury Stock Reissuance*

In fiscal 2019, the Company acquired Alpha. The initial purchase consideration for the acquisition was \$750,000, of which \$650,000 was paid in cash and the balance was settled by issuing 1,177,630 shares of EnerSys common stock. These shares were issued out of the Company's treasury stock and were valued at \$84.92 per share, which was based on the thirty-day volume weighted average stock price of the Company's common stock at closing. The 1,177,630 shares had a closing date fair value of \$93,268. During fiscal 2021, fiscal 2020 and fiscal 2019, the Company also issued 13,465, 17,410 and 3,256 shares out of its treasury stock, respectively, valued at \$62.55 per share, on a LIFO basis, to participants under the Company's Employee Stock Purchase Plan.

**Accumulated Other Comprehensive Income (“AOCI”)**

The components of AOCI, net of tax, are as follows:

	Beginning Balance	Before Reclassifications	Amount Reclassified from AOCI	Ending Balance
<b>March 31, 2021</b>				
Pension funded status adjustment	\$ (22,794)	\$ 680	\$ 1,167	\$ (20,947)
Net unrealized gain (loss) on derivative instruments	(5,923)	250	6,033	360
Foreign currency translation adjustment	(186,289)	90,993	—	(95,296)
Accumulated other comprehensive loss	<u>\$ (215,006)</u>	<u>\$ 91,923</u>	<u>\$ 7,200</u>	<u>\$ (115,883)</u>
<b>March 31, 2020</b>				
Pension funded status adjustment	\$ (20,791)	\$ (2,819)	\$ 816	\$ (22,794)
Net unrealized gain (loss) on derivative instruments	(130)	(6,672)	879	(5,923)
Foreign currency translation adjustment	(121,761)	(64,528)	—	(186,289)
Accumulated other comprehensive loss	<u>\$ (142,682)</u>	<u>\$ (74,019)</u>	<u>\$ 1,695</u>	<u>\$ (215,006)</u>
<b>March 31, 2019</b>				
Pension funded status adjustment	\$ (22,503)	\$ 339	\$ 1,373	\$ (20,791)
Net unrealized gain (loss) on derivative instruments	(3,425)	(8,396)	11,691	(130)
Foreign currency translation adjustment	(15,789)	(105,972)	—	(121,761)
Accumulated other comprehensive loss	<u>\$ (41,717)</u>	<u>\$ (114,029)</u>	<u>\$ 13,064</u>	<u>\$ (142,682)</u>

The following table presents reclassifications from AOCI during the twelve months ended March 31, 2021:

Components of AOCI	Amounts Reclassified from AOCI	Location of (Gain) Loss Recognized on Income Statement
<b>Derivatives in Cash Flow Hedging Relationships:</b>		
Net unrealized loss on derivative instruments	\$ 7,903	Cost of goods sold
Tax benefit	(1,870)	
Net unrealized loss on derivative instruments, net of tax	<u>\$ 6,033</u>	
<b>Defined benefit pension costs:</b>		
Prior service costs and deferrals	\$ 1,529	Net periodic benefit cost, included in other (income) expense, net - See Note 15
Tax benefit	(362)	
Net periodic benefit cost, net of tax	<u>\$ 1,167</u>	

The following table presents reclassifications from AOCI during the twelve months ended March 31, 2020:

Components of AOCI	Amounts Reclassified from AOCI	Location of (Gain) Loss Recognized on Income Statement
<b>Derivatives in Cash Flow Hedging Relationships:</b>		
Net unrealized loss on derivative instruments	\$ 1,151	Cost of goods sold
Tax benefit	(272)	
Net unrealized loss on derivative instruments, net of tax	<u>\$ 879</u>	
<b>Defined benefit pension costs:</b>		
Prior service costs and deferrals	\$ 1,098	Net periodic benefit cost, included in other (income) expense, net - See Note 15
Tax benefit	(282)	
Net periodic benefit cost, net of tax	<u>\$ 816</u>	

The following table presents reclassifications from AOCI during the twelve months ended March 31, 2019:

Components of AOCI	Amounts Reclassified from AOCI	Location of (Gain) Loss Recognized on Income Statement
<b>Derivatives in Cash Flow Hedging Relationships:</b>		
Net unrealized loss on derivative instruments	\$ 15,281	Cost of goods sold
Tax benefit	(3,590)	
Net unrealized loss on derivative instruments, net of tax	<u>\$ 11,691</u>	
<b>Defined benefit pension costs:</b>		
Prior service costs and deferrals	\$ 1,704	Net periodic benefit cost, included in other (income) expense, net - See Note 15
Tax benefit	(331)	
Net periodic benefit cost, net of tax	<u>\$ 1,373</u>	

## 17. Stock-Based Compensation

As of March 31, 2021, the Company maintains the 2017 Equity Incentive Plan (“2017 EIP”). The 2017 EIP reserved 4,173,554 shares of common stock for the grant of various classes of nonqualified stock options, restricted stock units, market condition-based on total shareholder return (“TSR”) and performance condition-based share units (“PSU”) and other forms of equity-based compensation. Shares subject to any awards that expire without being exercised or that are forfeited or settled in cash shall again be available for future grants of awards under the 2017 EIP. Shares subject to stock option or stock appreciation right awards, that have been retained by the Company in payment or satisfaction of the exercise price and any applicable tax withholding obligation of such awards, shall not be available for future grant under the 2017 EIP.

As of March 31, 2021, 3,206,045 shares are available for future grants. The Company’s management equity incentive plans are intended to provide an incentive to employees and non-employee directors of the Company to remain in the service of the Company and to increase their interest in the success of the Company in order to promote the long-term interests of the Company. The plans seek to promote the highest level of performance by providing an economic interest in the long-term performance of the Company. The Company settles employee share-based compensation awards with newly issued shares.

### Stock Options

During fiscal 2021, the Company granted to management and other key employees 295,068 non-qualified options that vest ratably over 3 years from the date of grant. Options expire 10 years from the date of grant.

The Company recognized stock-based compensation expense relating to stock options of \$3,514, with a related tax benefit of \$368 for fiscal 2021, \$2,996 with a related tax benefit of \$565 for fiscal 2020 and \$3,251 with a related tax benefit of \$634 for fiscal 2019.

For purposes of determining the fair value of stock options granted, the Company used a Black-Scholes Model with the following assumptions:

	2021	2020	2019
Risk-free interest rate	0.39 %	1.52 %	2.77 %
Dividend yield	0.93 %	1.21 %	0.93 %
Expected life (years)	6	6	6
Volatility	37.2 %	29.1 %	26.8 %

The following table summarizes the Company's stock option activity in the years indicated:

	Number of Options	Weighted- Average Remaining Contract Term (Years)	Weighted- Average Exercise Price	Aggregate Intrinsic Value
Options outstanding as of March 31, 2018	545,590	8.4	\$ 68.65	\$ 2,679
Granted	192,700		75.17	—
Exercised	(171,630)		63.66	2,707
Forfeited	(11,754)		75.17	—
Expired	—		—	—
Options outstanding as of March 31, 2019	554,906	8.0	\$ 72.31	\$ 1,040
Granted	284,109		57.75	—
Exercised	(24,826)		57.60	383
Forfeited	(22,607)		72.19	88
Expired	—		—	—
Options outstanding as of March 31, 2020	791,582	7.8	\$ 67.55	\$ —
Granted	295,068		79.62	—
Exercised	(247,975)		66.11	6,382
Forfeited	(34,854)		69.20	290
Expired	(4,320)		80.25	—
Options outstanding as of March 31, 2021	799,501	7.8	\$ 72.31	\$ 14,781
Options exercisable as of March 31, 2021	291,440	6.1	\$ 73.25	\$ 5,114
Options vested and expected to vest, as of March 31, 2021	782,935	7.8	\$ 72.28	\$ 14,497

The following table summarizes information regarding stock options outstanding as of March 31, 2021:

Range of Exercise Prices	Number of Options	Weighted- Average Remaining Contractual Life (Years)	Weighted- Average Exercise Price
\$57.60-\$60.00	231,025	7.9	\$ 57.73
\$60.01-\$70.00	56,530	3.9	\$ 68.78
\$70.01-\$83.14	511,946	8.2	\$ 79.28
	799,501	7.8	\$ 72.31

## **Restricted Stock Units, Market and Performance-condition based Awards**

### *Non-Employee Directors*

In fiscal 2021, the Company granted to non-employee directors 39,726 deferred restricted stock units (“DSU”) at the fair value of \$39.93 per restricted stock unit at the date of grant. In fiscal 2020, such grants amounted to 40,462 restricted stock units at the fair value of \$39.74 per restricted stock unit at the date of grant and in fiscal 2019, such grants amounted to 35,065 restricted stock units at the fair value of \$46.30 per restricted stock unit at the date of grant. The awards vest immediately upon the date of grant and are settled in shares of common stock six months after termination of service as a director.

The Company also granted to non-employee directors, during fiscal 2021, fiscal 2020 and 2019, 1,435, 1,147 and 1,441 restricted stock units, respectively, at fair values of \$71.53, \$58.05 and \$75.32, respectively, under the deferred compensation plan for non-employee directors.

### *Employees*

In fiscal 2021, the Company granted to management and other key employees 283,101 restricted stock units that vest ratably over four years from the date of grant, at the fair value of \$75.39 per restricted stock unit.

In fiscal 2020, the Company granted to management and other key employees 301,321 restricted stock units that vest ratably over four years from the date of grant at the fair value of \$57.75 per restricted stock unit, 62,512 performance condition-based share units (“PSU”) at the fair value of \$50.69 and 51,063 market condition-based share units (“TSR”) at a weighted average fair value of \$62.05 per unit at the date of grant, that cliff vest three years from the date of grant.

In fiscal 2019, the Company granted to management and other key employees 204,599 restricted stock units that vest ratably over four years from the date of grant at a fair value of \$75.17 per restricted stock unit, 45,883 PSUs at the fair value of \$68.48 and 36,646 TSRs at a weighted average fair value of \$86.23 per unit at the date of grant, that cliff vest three years from the date of grant.

For purposes of determining the fair value of the PSUs granted in fiscal 2020 and fiscal 2019, the Company used the market price at the date of grant to which a discount for illiquidity was applied to reflect post vesting restrictions.

For purposes of determining the fair value of TSRs granted in fiscal 2020 and fiscal 2019, the Company used a Monte Carlo Simulation with the following assumptions:

	2020	2019
Risk-free interest rate	1.50 %	2.66 %
Dividend yield	— %	— %
Expected life (years)	3	3
Volatility	34.39 %	26.41 %

A summary of the changes in restricted stock units, TSRs and PSUs awarded to employees and directors that were outstanding under the Company's equity compensation plans during fiscal 2021 is presented below:

	Restricted Stock Units (RSU)		Market condition-based Share Units (TSR)		Performance condition-based Share Units (PSU)	
	Number of RSU	Weighted-Average Grant Date Fair Value	Number of TSR	Weighted-Average Grant Date Fair Value	Number of PSU	Weighted-Average Grant Date
Non-vested awards as of March 31, 2020	880,335	\$ 55.61	208,720	\$ 80.78	101,130	\$ 57.49
Granted	324,262	71.53	37	79.51	—	—
Stock dividend	8,125	57.69	1,165	83.15	917	57.52
Performance factor	—	—	—	—	—	—
Vested	(279,995)	58.01	(65,096)	71.17	—	—
Forfeitures	(52,443)	68.94	(18,866)	98.88	(3,701)	56.04
Non-vested awards as of March 31, 2021	880,284	\$ 60.07	125,960	\$ 83.48	98,346	\$ 57.55

The Company recognized stock-based compensation expense relating to restricted stock units, TSRs and PSUs of \$16,303, with a related tax benefit of \$2,121 for fiscal 2021, \$17,784, with a related tax benefit of \$2,544 for fiscal 2020 and \$19,357, with a related tax benefit of \$3,085 for fiscal 2019.

### All Award Plans

As of March 31, 2021, unrecognized compensation expense associated with the non-vested equity awards outstanding was \$49,054 and is expected to be recognized over a weighted-average period of 29 months.

### 18. Earnings Per Share

The following table sets forth the reconciliation from basic to diluted weighted-average number of common shares outstanding and the calculations of net earnings per common share attributable to EnerSys stockholders.

	Fiscal year ended March 31,		
	2021	2020	2019
Net earnings attributable to EnerSys stockholders	\$ 143,374	\$ 137,116	\$ 160,239
Weighted-average number of common shares outstanding:			
Basic	42,548,449	42,411,834	42,335,023
Dilutive effect of:			
Common shares from exercise and lapse of equity awards, net of shares assumed reacquired	675,954	484,941	673,929
Diluted weighted-average number of common shares outstanding	43,224,403	42,896,775	43,008,952
Basic earnings per common share attributable to EnerSys stockholders	\$ 3.37	\$ 3.23	\$ 3.79
Diluted earnings per common share attributable to EnerSys stockholders	\$ 3.32	\$ 3.20	\$ 3.73
Anti-dilutive equity awards not included in diluted weighted-average common shares	281,483	698,546	355,728

## **19. Commitments, Contingencies and Litigation**

### **Litigation and Other Legal Matters**

In the ordinary course of business, the Company and its subsidiaries are routinely defendants in or parties to pending and threatened legal actions and proceedings, including actions brought on behalf of various classes of claimants. These actions and proceedings are generally based on alleged violations of environmental, anticompetition, employment, contract and other laws. In some of these actions and proceedings, claims for substantial monetary damages are asserted against the Company and its subsidiaries. In the ordinary course of business, the Company and its subsidiaries are also subject to regulatory and governmental examinations, information gathering requests, inquiries, investigations, and threatened legal actions and proceedings. In connection with formal and informal inquiries by federal, state, local and foreign agencies, the Company and its subsidiaries receive numerous requests, subpoenas and orders for documents, testimony and information in connection with various aspects of their activities.

#### *European Competition Investigations*

Certain of the Company's European subsidiaries had received subpoenas and requests for documents and, in some cases, interviews from, and have had on-site inspections conducted by the competition authorities of Belgium, Germany and the Netherlands relating to conduct and anticompetitive practices of certain industrial battery participants.

The Company settled the Belgian regulatory proceeding in February 2016 by acknowledging certain anticompetitive practices and conduct and agreeing to pay a fine of \$1,962, which was paid in March 2016. With respect to the Belgian regulatory matter, during fiscal 2019, the Company paid \$2,402 towards certain aspects related to this matter, which were concluded in fiscal 2021. As of March 31, 2021 and March 31, 2020, the Company did not have a reserve balance related to these matters.

The precise scope, timing and time period at issue, as well as the final outcome of the investigations or customer claims, remain uncertain. Accordingly, the Company's estimate may change from time to time, and actual losses could vary.

### **Environmental Issues**

As a result of its operations, the Company is subject to various federal, state and local, as well as international environmental laws and regulations and is exposed to the costs and risks of registering, handling, processing, storing, transporting, and disposing of hazardous substances, especially lead and acid. The Company's operations are also subject to federal, state, local and international occupational safety and health regulations, including laws and regulations relating to exposure to lead in the workplace. The Company believes that it has adequate reserves to satisfy its environmental liabilities.

### **Collective Bargaining**

At March 31, 2021, the Company had approximately 11,100 employees. Of these employees, approximately 27% were covered by collective bargaining agreements. Employees covered by collective bargaining agreements that expire in the next twelve months were approximately 11% of the total workforce. The average term of these agreements is 2 years, with the longest term being 3.5 years. The Company considers its employee relations to be good and did not experience any significant labor unrest or disruption of production during fiscal 2021.

### **Lead and Foreign Currency Forward Contracts**

To stabilize its lead costs and reduce volatility from currency movements, the Company enters into contracts with financial institutions. The vast majority of such contracts are for a period not extending beyond one year. Please refer to Note 13 - Derivative Financial Instruments for more details.

### **Other**

The Company has various purchase and capital commitments incidental to the ordinary conduct of business. In the aggregate, such commitments are not at prices in excess of current market.



**20. Restructuring, Exit and Other Charges***Restructuring Programs*

The Company had committed to various restructuring plans aimed at improving operational efficiencies across its lines of business. A substantial portion of these programs are complete, with an estimated \$7,424 remaining to be incurred by the end of fiscal 2022, mainly relating to programs that were started in fiscal 2021, the details of which are as follows:

During fiscal 2021, the Company announced restructuring programs in the Energy Systems segment relating to its recent acquisitions of Alpha and NorthStar, as part of its targeted synergy plans. The Company also announced a restructuring program to improve global operational efficiencies in its Motive Power segment. The charges, in both segments were primarily cash charges relating to severance payments and amounted to \$3,187 to approximately 47 employees in the Energy Systems segment and \$4,012 to approximately 32 employees in the Motive Power segment. In addition there was a \$169 charge related to the Specialty segment.

During fiscal 2020, the Company announced restructuring programs to improve efficiencies across all its lines of business. The charges were primarily severance payments to approximately 160 employees. The Company completed these actions in fiscal 2021.

Restructuring and exit charges for fiscal 2021, 2020 and 2019 by reportable segments are as follows:

	<b>Fiscal year ended March 31, 2021</b>			
	<b>Energy Systems</b>	<b>Motive Power</b>	<b>Specialty</b>	<b>Total</b>
Restructuring charges	\$ 3,187	\$ 4,012	\$ 169	\$ 7,368
Exit charges	—	32,786	220	33,006
Restructuring and other exit charges	\$ 3,187	\$ 36,798	\$ 389	\$ 40,374

	<b>Fiscal year ended March 31, 2020</b>			
	<b>Energy Systems</b>	<b>Motive Power</b>	<b>Specialty</b>	<b>Total</b>
Restructuring charges	\$ 6,808	\$ 1,860	\$ 2,318	\$ 10,986
Exit charges	526	5,541	3,713	9,780
Restructuring and other exit charges	\$ 7,334	\$ 7,401	\$ 6,031	\$ 20,766

	<b>Fiscal year ended March 31, 2019</b>			
	<b>Energy Systems</b>	<b>Motive Power</b>	<b>Specialty</b>	<b>Total</b>
Restructuring charges	\$ 5,115	\$ 4,795	\$ 713	\$ 10,623
Exit charges	5,477	957	17,652	24,086
Restructuring and other exit charges	\$ 10,592	\$ 5,752	\$ 18,365	\$ 34,709

A roll-forward of the restructuring reserve is as follows:

	Employee Severance	Other	Total
Balance at March 31, 2018	\$ 2,893	\$ 16	\$ 2,909
Accrued	6,554	1,639	8,193
Costs incurred	(6,893)	(1,086)	(7,979)
Foreign currency impact and other	(198)	27	(171)
Balance at March 31, 2019	\$ 2,356	\$ 596	\$ 2,952
Accrued	10,395	402	10,797
Costs incurred	(9,179)	(995)	(10,174)
Foreign currency impact and other	(247)	(3)	(250)
Balance at March 31, 2020	\$ 3,325	\$ —	\$ 3,325
Accrued	6,537	831	7,368
Costs incurred	(7,550)	(831)	(8,381)
Foreign currency impact and other	283	—	283
Balance at March 31, 2021	\$ 2,595	\$ —	\$ 2,595

#### *Exit Charges*

#### *Fiscal 2021 Programs*

#### *Hagen, Germany*

On November 10, 2020, the EnerSys' Board of Directors approved a plan to substantially close its facility in Hagen, Germany, which produces flooded motive power batteries for forklifts. Management determined that future demand for the motive power batteries produced at this facility was not sufficient, given the conversion from flooded to maintenance free batteries by customers, the existing number of competitors in the market, as well as the near term decline in demand and increased uncertainty from the pandemic. The Company plans to retain the facility with limited sales, service and administrative functions along with related personnel for the foreseeable future.

The Company currently estimates that the total charges for these actions will amount to approximately \$60,000, the majority of which are expected to be recorded by the end of calendar 2021. Cash charges of approximately \$40,000 are primarily for employee severance related payments, but also include payments for cleanup related to the facility, contractual releases and legal expenses. Non-cash charges from inventory and equipment write-offs are estimated to be \$20,000. These actions will result in the reduction of approximately 200 employees.

During fiscal 2021, the Company recorded cash charges relating to severance of \$23,331 and non-cash charges of \$7,946 primarily relating to fixed asset write-offs.

#### *Vijayawada, India*

During fiscal 2021, the Company committed to a plan to close its facility in Vijayawada, India to align with its strategic vision for the new line of business structure and footprint and recorded exit charges of \$1,509, primarily relating to asset write-offs.

#### *Targovishte, Bulgaria*

During fiscal 2019, the Company committed to a plan to close its facility in Targovishte, Bulgaria, which produced diesel-electric submarine batteries. Management determined that the future demand for batteries of diesel-electric submarines was not sufficient given the number of competitors in the market. Of the estimated total charges of \$26,000 for this plan, the Company had recorded charges amounting to \$20,242 in fiscal 2019, relating to severance and inventory and fixed asset write-offs and an additional \$5,123 relating to cash and non-cash charges during fiscal 2020. During fiscal 2021, in keeping with its strategy of exiting the manufacture of batteries for diesel-electric submarines, the Company completed further actions which resulted in \$220 relating to cash and non-cash charges.

### *Fiscal 2020 Programs*

During fiscal 2020, in keeping with its strategy of exiting the manufacture of batteries for diesel-electric submarines, the Company also sold certain licenses and assets for \$2,031 and recorded a net gain of \$892, which were reported as other exit charges in the Specialty segment.

During fiscal 2020, the Company also wrote off \$5,441 of assets at its Kentucky and Tennessee Motive Power plants, as a result of its strategic product mix shift from traditional flooded batteries to maintenance free lead acid and lithium batteries.

### *Fiscal 2019 Programs*

During fiscal 2019, the Company recorded exit charges of \$4,930 relating to the disposition of GAZ Geräte- und Akkumulatorenwerk Zwickau GmbH, a wholly-owned German subsidiary and \$957 relating to dissolving a joint venture in Tunisia. These exit activities are a consequence of the Company's strategic decision to streamline its product portfolio and focus its efforts on new technologies.

During fiscal 2019, as part of the aforementioned program to convert its India operations from mainly reserve power production to motive power production, the Company recorded a non-cash write off of reserve power inventories of \$526, which was reported in cost of goods sold and a \$660 noncash write-off related to reserve power fixed assets in restructuring charges.

### *Richmond, Kentucky Plant Fire*

During fiscal 2021, the Company settled its claims with its insurance carrier relating to the fire that broke out in the battery formation area of the Company's Richmond, Kentucky motive power production facility in fiscal 2020. The total claims, for both property and business interruption of \$46,117 were received through March 31, 2021.

The final settlement of insurance recoveries and finalization of costs related to the replacement of property, plant and equipment, resulted in a net gain of \$4,397, which was recorded as a reduction to operating expenses in the Consolidated Statements of Income.

The details of charges and recoveries for fiscal 2021 and fiscal 2020 are as follows:

In fiscal 2020, the Company recorded as a receivable, \$17,037, consisting of write-offs for damages caused to its fixed assets and inventories, as well as for cleanup, asset replacement and other ancillary activities directly associated with the fire and received \$12,000 related to its initial claims.

During fiscal 2021, the Company recorded an additional \$16,580 as a receivable for cleanup and received \$21,617 from the insurance carrier.

In addition to the property damage claim, the Company received \$12,500 in business interruption claims, of which \$5,000 was recorded in fiscal 2020 and \$7,500 in fiscal 2021, and was credited to cost of goods sold, in the respective periods.

## 21. Warranty

The Company provides for estimated product warranty expenses when products are sold, with related liabilities included within accrued expenses and other liabilities. As warranty estimates are forecasts that are based on the best available information, primarily historical claims experience, costs of claims may ultimately differ from amounts provided. An analysis of changes in the liability for product warranties is as follows:

	Fiscal year ended March 31,		
	2021	2020	2019
Balance at beginning of year	\$ 63,525	\$ 54,568	\$ 50,602
Current year provisions	27,645	27,622	23,679
Costs incurred	(34,346)	(25,778)	(25,053)
Warranty reserves of acquired businesses	—	6,995	7,535
Foreign currency translation adjustment	2,138	118	(2,195)
Balance at end of year	<u>\$ 58,962</u>	<u>\$ 63,525</u>	<u>\$ 54,568</u>

## 22. Other (Income) Expense, Net

Other (income) expense, net consists of the following:

	Fiscal year ended March 31,		
	2021	2020	2019
Foreign exchange transaction losses (gains)	\$ 6,696	\$ 264	\$ (3,044)
Non-service components of pension expense	1,279	615	1,502
Other	(171)	(1,294)	928
Total	<u>\$ 7,804</u>	<u>\$ (415)</u>	<u>\$ (614)</u>

## 23. Business Segments

Effective April 1, 2020, the Company's chief operating decision maker, or CODM (the Company's Chief Executive Officer), changed the manner in which he reviews financial information for purposes of assessing business performance and allocating resources, by focusing on the lines of business on a global basis, rather than on geographic basis. As a result of this change, the Company re-evaluated the identification of its operating segments and reportable segments and identified the following as its three new operating segments, based on lines of business:

- **Energy Systems** - uninterruptible power systems, or "UPS" applications for computer and computer-controlled systems, as well as telecommunications systems, switchgear and electrical control systems used in industrial facilities and electric utilities, large-scale energy storage and energy pipelines. Energy Systems also includes highly integrated power solutions and services to broadband, telecom, renewable and industrial customers, as well as thermally managed cabinets and enclosures for electronic equipment and batteries.
- **Motive Power** - power for electric industrial forklifts used in manufacturing, warehousing and other material handling applications, as well as mining equipment, diesel locomotive starting and other rail equipment; and
- **Specialty** - premium starting, lighting and ignition applications in transportation, energy solutions for satellites, military aircraft, submarines, ships and other tactical vehicles, as well as medical and security systems.

The new operating segments also represent the Company's reportable segments under ASC 280, *Segment Reporting*. All prior comparative periods presented have been recast to conform to these changes.

Summarized financial information related to the Company's reportable segments at March 31, 2021, 2020 and 2019 and for each of the fiscal years then ended is shown below.

	Fiscal year ended March 31,		
	2021	2020	2019
<b>Net sales by segment to unaffiliated customers</b>			
Energy Systems	\$ 1,380,278	\$ 1,357,475	\$ 1,086,279
Motive Power	1,163,710	1,348,193	1,391,844
Specialty	433,944	382,200	329,894
Total net sales	<u>\$ 2,977,932</u>	<u>\$ 3,087,868</u>	<u>\$ 2,808,017</u>
<b>Operating earnings by segment</b>			
Energy Systems	\$ 67,060	\$ 67,809	\$ 45,164
Motive Power	143,541	146,814	172,749
Specialty	46,148	42,454	44,077
Inventory step up to fair value relating to acquisitions - Energy Systems	—	(304)	(7,789)
Inventory step up to fair value relating to acquisitions - Specialty	—	(1,550)	(2,590)
Restructuring and other exit charges - Energy Systems	(3,187)	(7,284)	(10,593)
Restructuring and other exit charges - Motive Power	(36,798)	(2,021)	(5,751)
Restructuring and other exit charges - Specialty	(389)	(6,020)	(18,365)
Impairment of goodwill <sup>(3)</sup>	—	(39,713)	—
Impairment of indefinite-lived intangibles <sup>(3)</sup>	—	(4,549)	—
Fixed asset write-off relating to exit activities and other - Energy Systems	—	(50)	—
Fixed asset write-off relating to exit activities and other - Motive Power	—	(5,380)	—
Fixed asset write-off relating to exit activities - Specialty	—	(11)	—
Legal proceedings charge, net - Energy Systems	—	—	(4,363)
Legal proceedings charge, net - Motive Power	—	—	(74)
Total operating earnings <sup>(2)</sup>	<u>\$ 216,375</u>	<u>\$ 190,195</u>	<u>\$ 212,465</u>
<b>Capital Expenditures</b>			
Energy Systems	\$ 34,826	\$ 40,768	\$ 24,333
Motive Power	14,154	22,285	26,112
Specialty	21,040	38,372	19,927
Total	<u>\$ 70,020</u>	<u>\$ 101,425</u>	<u>\$ 70,372</u>
<b>Depreciation and Amortization</b>			
Energy Systems	\$ 57,864	\$ 53,793	\$ 32,052
Motive Power	21,706	20,900	20,725
Specialty	14,512	12,651	10,571
Total	<u>\$ 94,082</u>	<u>\$ 87,344</u>	<u>\$ 63,348</u>

(1) Reportable segments do not record inter-segment revenues and accordingly there are none to report.

(2) The Company does not allocate interest expense or other (income) expense, net, to the reportable segments.

(3) The impairment of goodwill and indefinite-lived intangibles in fiscal 2020 related to the Company's legacy reportable segments as discussed in Note 7.

The Company's property, plant and equipment by reportable segments as of March 31, 2021 and 2020 are as follows:

Property, plant and equipment, net	March 31, 2021	March 31, 2020
Energy Systems	\$ 224,513	\$ 182,122
Motive Power	152,468	153,438
Specialty	120,075	144,454
<b>Total</b>	<b>\$ 497,056</b>	<b>\$ 480,014</b>

The Company markets its products and services in over 100 countries. Sales are attributed to countries based on the location of sales order approval and acceptance. Sales to customers in the United States were 59.8%, 58.1% and 48.5% for fiscal years ended March 31, 2021, 2020 and 2019, respectively. Property, plant and equipment, net, attributable to the United States as of March 31, 2021 and 2020, were \$291,578 and \$277,358, respectively. No single country, outside the United States, accounted for more than 10% of the consolidated net sales or net property, plant and equipment and, therefore, was deemed not material for separate disclosure.

#### 24. Quarterly Financial Data (Unaudited)

The Company reports interim financial information for 13-week periods, except for the first quarter, which always begins on April 1, and the fourth quarter, which always ends on March 31. The four quarters in fiscal 2021 ended on July 5, 2020, October 4, 2020, January 3, 2021, and March 31, 2021, respectively. The four quarters in fiscal 2020 ended on June 30, 2019, September 29, 2019, December 29, 2019, and March 31, 2020, respectively.

	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter		Fiscal Year
<b>Fiscal year ended March 31, 2021</b>									
Net sales	\$	704,924	\$	708,402	\$	751,067	\$	813,539	\$ 2,977,932
Gross profit <sup>(1)</sup>		174,977		177,560		189,312		197,301	739,150
Operating earnings <sup>(2)(3)</sup>		53,220		55,415		56,071		51,669	216,375
Net earnings <sup>(4)</sup>		35,183		35,731		38,624		33,836	143,374
Net earnings attributable to EnerSys stockholders		35,183		35,731		38,624		33,836	143,374
Net earnings per common share attributable to EnerSys stockholders—basic	\$	0.83	\$	0.84	\$	0.91	\$	0.79	\$ 3.37
Net earnings per common share attributable to EnerSys stockholders—diluted	\$	0.82	\$	0.83	\$	0.89	\$	0.78	\$ 3.32
<b>Fiscal year ended March 31, 2020</b>									
Net sales	\$	780,230	\$	762,137	\$	763,698	\$	781,803	\$ 3,087,868
Gross profit <sup>(5)(6)</sup>		201,512		197,317		185,241		200,796	784,866
Operating earnings <sup>(7)(8)</sup>		68,336		58,710		43,084		20,065	190,195
Net earnings (loss) <sup>(9)</sup>		48,636		62,698		27,305		(1,523)	137,116
Net earnings (loss) attributable to EnerSys stockholders		48,636		62,698		27,305		(1,523)	137,116
Net earnings (loss) per common share attributable to EnerSys stockholders—basic	\$	1.14	\$	1.48	\$	0.65	\$	(0.04)	\$ 3.23
Net earnings (loss) per common share attributable to EnerSys stockholders—diluted	\$	1.13	\$	1.47	\$	0.64	\$	(0.04)	\$ 3.20

(1) Included in Gross profit were receipts for business interruption relating to the Richmond, Kentucky motive power production facility, of \$3,700, \$1,456 and \$2,344 for the first, second, and third quarters of fiscal 2021, respectively.

- (2) Also included in Operating earnings was a net gain of \$4,397, recorded in the third quarter of fiscal 2021, relating to the final settlement of insurance recoveries and finalization of costs related to the replacement of property, plant and equipment of the aforementioned claim.
- (3) Included in Operating earnings were restructuring and other exit charges of \$1,387, \$3,119, \$15,196 and \$20,672 for the first, second, third and fourth quarters of fiscal 2021, respectively.
- (4) Included in net earnings was a tax benefit of \$1,883 for the first quarter of fiscal 2021, on account of the Swiss tax reform.
- (5) Included in Gross profit were inventory adjustment relating to the inventory step up to fair value relating to the NorthStar acquisition of \$3,845 and \$(1,991) in the third and fourth quarter of fiscal 2020, respectively.
- (6) Included in Gross profit were receipts for business interruption relating to the Richmond, Kentucky motive power production facility, of \$5,000 in the fourth quarter of fiscal 2020.
- (7) Included in Operating earnings were restructuring and other exit charges of \$2,372, \$6,282, \$9,417 and \$2,695 for the first, second, third and fourth quarters of fiscal 2020, respectively.
- (8) Included in Operating earnings for the fourth quarter of fiscal 2020 were charges relating to the impairment of goodwill for \$39,713 and other indefinite-lived intangibles for \$4,549.
- (9) Included in net earnings was a tax benefit of \$21,000 for the second quarter of fiscal 2020, on account of the Swiss tax reform.

## **25. Subsequent Events**

On May 20, 2021, the Board of Directors approved a quarterly cash dividend of \$0.175 per share of common stock to be paid on June 25, 2021, to stockholders of record as of June 11, 2021.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**ITEM 9A. CONTROLS AND PROCEDURES**

(a) Disclosure Controls and Procedures. The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective.

(b) Internal Control Over Financial Reporting. There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fourth quarter of the fiscal year to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

The report called for by Item 308(a) of Regulation S-K is included herein as "Management Report on Internal Control Over Financial Reporting."

**Management Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. With the participation of the Chief Executive Officer and Chief Financial Officer, our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework and criteria established in *Internal Control—Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework).

Based on this evaluation, our management has concluded that our internal control over financial reporting was effective as of March 31, 2021.

The attestation report called for by Item 308(b) of Registration S-K is included herein as "Report of Independent Registered Public Accounting Firm," which appears in Item 8 in this Annual Report on Form 10-K.

/s/ David M. Shaffer  
\_\_\_\_\_  
David M. Shaffer  
Chief Executive Officer

/s/ Michael J. Schmidlein  
\_\_\_\_\_  
Michael J. Schmidlein  
Chief Financial Officer

**ITEM 9B. OTHER INFORMATION**

Not applicable.



**PART III**

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information required by this item is incorporated by reference from the sections entitled “Board of Directors,” “Executive Officers,” “Section 16(a) Beneficial Ownership Reporting Compliance,” “Corporate Governance—Independence of Directors,” “Corporate Governance—Process for Selection of Director Nominee Candidates,” “Audit Committee Report,” and “Certain Relationships and Related Transactions—Employment of Related Parties” of the Company’s definitive proxy statement for its 2021 Annual Meeting of Stockholders (the “Proxy Statement”) to be filed no later than 120 days after the fiscal year end.

We have adopted a Code of Business Conduct and Ethics that applies to all of our officers, directors and employees (including our Chief Executive Officer, Chief Financial Officer, and Corporate Controller) and have posted the Code on our website at [www.enersys.com](http://www.enersys.com), and a copy is available in print to any stockholder who requires a copy. If we waive any provision of the Code applicable to any director, our Chief Executive Officer, Chief Financial Officer, and Corporate Controller, such waiver will be promptly disclosed to the Company’s stockholders through the Company’s website.

**ITEM 11. EXECUTIVE COMPENSATION**

The information required by this item is incorporated by reference from the sections entitled “Corporate Governance—Compensation Committee” and “Executive Compensation” of the Proxy Statement”) to be filed no later than 120 days after the fiscal year end.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT RELATED STOCKHOLDER MATTERS**

The information required by this item is incorporated by reference from the section entitled “Security Ownership of Certain Beneficial Owners and Management” of the Proxy Statement to be filed no later than 120 days after the fiscal year end.

Plan Category	Equity Compensation Plan Information		
	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	2,127,125 <sup>(1)</sup>	\$ 72.28 <sup>(2)</sup>	3,206,045
Equity compensation plans not approved by security holders	—	—	—
<b>Total</b>	<b>2,127,125</b>	<b>\$ 72.28</b>	<b>3,206,045</b>

(1) Assumes a 200% payout on market and performance condition-based awards.

(2) Awards of restricted stock units, market and performance condition-based awards and deferred stock units held in both the EnerSys Voluntary Deferred Compensation Plan for Non-Employee Directors and the EnerSys Voluntary Deferred Compensation Plan for Executives were not included in calculating the weighted-average exercise price as they will be settled in shares of common stock for no consideration.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information required by this item is incorporated by reference from the sections entitled “Corporate Governance,” and “Certain Relationships and Related Transactions” of the Proxy Statement to be filed no later than 120 days after the fiscal year end.

**ITEM 14.      *PRINCIPAL ACCOUNTING FEES AND SERVICES***

The information required by this item is incorporated by reference from the section entitled “Audit Committee Report” of the Proxy Statement to be filed no later than 120 days after the fiscal year end.

**PART IV**

**ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

(a) The following documents are filed as part of this Report:

(1) Consolidated Financial Statements

See Index to Consolidated Financial Statements.

All other schedules are omitted because they are not applicable or the required information is contained in the consolidated financial statements or notes thereto.

(b) The following documents are filed herewith as exhibits:

<b>Exhibit Number</b>	<b>Description of Exhibit</b>
3.1	<a href="#">Fifth Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.2 to Amendment No. 3 to EnerSys' Registration Statement on Form S-1 (File No. 001-32253) filed on February 6, 2013).</a>
3.2	<a href="#">Third Amended and Restated Bylaws (incorporated by reference to Exhibits 3.1 to EnerSys' Current Report on Form 8-K (File No. 001-32253) filed on August 3, 2016).</a>
4.1	<a href="#">Indenture, dated as of April 23, 2015, among EnerSys, the Guarantors party thereto and MUFG Union Bank, N.A., as Trustee (incorporated by reference to Exhibit 4.1 to EnerSys' Current Report on Form 8-K (File No. 00-32253) filed on April 23, 2015).</a>
4.2	<a href="#">Fourth Supplemental Indenture, dated as of December 11, 2019, among EnerSys, the Guarantors party thereto and MUFG Union Bank, N.A., as Trustee (incorporated by reference to Exhibit 4.1 to EnerSys' Current Report on Form 8-K (File No. 00-32253) filed on December 11, 2019).</a>
4.3	<a href="#">Form of 4.375% Senior Note due 2027 (incorporated by reference to Exhibit 4.2 to EnerSys' Current Report on Form 8-K (File No. 00-32253) filed on December 11, 2019).</a>
4.4	<a href="#">Description of Capital Stock (filed herewith).</a>
10.1	<a href="#">Credit Agreement, dated as of August 4, 2017, among EnerSys, certain other borrowers and guarantors identified therein, Bank of America, N.A., as administrative agent, swing line lender and Letters of Credit issuer, and other lenders party thereto (incorporated herein by reference to Exhibit 10.4 of EnerSys' Quarterly Report on Form 10-Q for the quarter ended July 2, 2017 (File No. 001-32253) filed with the SEC on August 9, 2017).</a>
10.2	<a href="#">Stock Subscription Agreement, dated March 22, 2002, among EnerSys Holdings Inc., Morgan Stanley Dean Witter Capital Partners IV, L.P., Morgan Stanley Dean Witter Capital Investors IV, L.P., MSDW IV 892 Investors, L.P., Morgan Stanley Global Emerging Markets Private Investment Fund, L.P. and Morgan Stanley Global Emerging Markets Private Investors, L.P. (incorporated by reference to Exhibit 10.27 to Amendment No. 3 to EnerSys' Registration Statement on Form S-1 (File No. 333-115553) filed on July 13, 2004).</a>
10.3	<a href="#">Employment Offer Letter, dated October 20, 2014, of EnerSys Delaware Inc. to David M. Shaffer (incorporated by reference to Exhibit 10.5 to EnerSys' Quarterly Report on Form 10-Q for the period ended September 28, 2014 (File No. 001-32253) filed on November 5, 2014).</a>
10.4	<a href="#">EnerSys 2013 Management Incentive Plan (incorporated by reference to Appendix A to EnerSys' Definitive Proxy Statement on Schedule 14A (File No. 001-32253) filed on June 27, 2013).</a>
10.5	<a href="#">Second Amended and Restated EnerSys 2010 Equity Incentive Plan (incorporated by reference to Appendix A to EnerSys' Definitive Proxy Statement on Schedule 14A (File No. 001-32253) filed on June 23, 2016).</a>

<b>Exhibit Number</b>	<b>Description of Exhibit</b>
10.6	<a href="#">EnerSys Voluntary Deferred Compensation Plan for Executives as amended August 5, 2010, and May 26, 2011 (incorporated by reference to Exhibit 10.23 to EnerSys' Annual Report on Form 10-K (File No. 001-32253) filed on May 31, 2011).</a>
10.7	<a href="#">EnerSys 2018 Employee Stock Purchase Plan (incorporated by reference to Appendix A to EnerSys' Definitive Proxy Statement on Schedule 14A (File No. 001-32253) filed on June 21, 2018).</a>
10.8	<a href="#">Form of Market Share Restricted Stock Unit Agreement – Employees (incorporated by reference to Exhibit 10.31 to EnerSys' Annual Report on Form 10-K (File No. 001-32253) filed on June 1, 2010).</a>
10.9	<a href="#">Form of Deferred Stock Unit Agreement – Non-Employee Directors – 2010 Equity Incentive Plan (incorporated by reference to Exhibit 10.35 to EnerSys' Annual Report on Form 10-K (File No. 001-32253) filed on May 31, 2011).</a>
10.10	<a href="#">Form of Severance Agreement, (incorporated by reference to Exhibit 10.37 to EnerSys' Annual Report on Form 10-K (File No. 001-32253) filed on May 28, 2013).</a>
10.11	<a href="#">Form of Stock Option Agreement - Employees - 2010 Equity Incentive Plan (incorporated by reference to Exhibit 10.32 to EnerSys' Annual Report on Form 10-K for the year ended March 31, 2014 (File No. 001-32253) filed on May 28, 2014).</a>
10.12	<a href="#">Form of Indemnification Agreement - Directors and Officers (incorporated by reference to Exhibit 10.37 to EnerSys' Annual Report on Form 10-K for the year ended March 31, 2016 (File No. 001-32253) filed on May 28, 2014).</a>
10.13	<a href="#">Form of Indemnification Agreement - Directors and Officers (incorporated by reference to Exhibit 10.26 to EnerSys' Annual Report on Form 10-K for the year ended March 31, 2017 (File No. 001-32253) filed on May 30, 2017).</a>
10.14	<a href="#">Form of Stock Option Agreement - Employees - 2010 Equity Incentive Plan (incorporated by reference to Exhibit 10.42 to EnerSys' Annual Report on Form 10-K for the year ended March 31, 2015 (File No. 001-32253) filed on May 27, 2015).</a>
10.15	<a href="#">Form of Stock Option Agreement - Executives - 2010 Equity Incentive Plan (incorporated by reference to Exhibit 10.43 to EnerSys' Annual Report on Form 10-K for the year ended March 31, 2015 (File No. 001-32253) filed on May 27, 2015).</a>
10.16	<a href="#">Form of Restricted Stock Unit Agreement - Employees - 2010 Equity Incentive Plan (incorporated by reference to Exhibit 10.45 to EnerSys' Annual Report on Form 10-K for the year ended March 31, 2015 (File No. 001-32253) filed on May 27, 2015).</a>
10.17	<a href="#">Form of Stock Option Agreement - Employees - 2010 Equity Incentive Plan (incorporated by reference to Exhibit 10.46 to EnerSys' Annual Report on Form 10-K for the year ended March 31, 2016 (File No. 001-32253) filed on May 31, 2016).</a>
10.18	<a href="#">Form of Restricted Stock Unit Agreement - Employees - 2010 Equity Incentive Plan (incorporated by reference to Exhibit 10.47 to EnerSys' Annual Report on Form 10-K for the year ended March 31, 2016 (File No. 001-32253) filed on May 31, 2016).</a>
10.19	<a href="#">Employment Agreement, dated December 21, 2015, between EH Europe GmbH and Holger P. Aschke (incorporated by reference to Exhibit 10.49 to EnerSys' Annual Report on Form 10-K for the year ended March 31, 2016 (File No. 001-32253) filed on May 31, 2016).</a>
10.20	<a href="#">Form of letter agreement, dated June 7, 2017, between EnerSys and David M. Shaffer (incorporated herein by reference to Exhibit 10.1 of EnerSys' Current Report on Form 8-K (File No. 001-32253) filed with the SEC on June 12, 2017).</a>

<b>Exhibit Number</b>	<b>Description of Exhibit</b>
10.21	<a href="#">Form of letter agreement, dated June 7, 2017, between EnerSys and an executive officer (incorporated herein by reference to Exhibit 10.1 of EnerSys' Current Report on Form 8-K (File No. 001-32253) filed with the SEC on June 12, 2017).</a>
10.22	<a href="#">Form of Deferred Stock Unit Agreement - Non-Employee Directors - 2017 Equity Incentive Plan (incorporated herein by reference to Exhibit 10.5 of EnerSys' Quarterly Report on Form 10-Q for the quarter ended July 2, 2017 (File No. 001-32253) filed with the SEC on August 9, 2017).</a>
10.23	<a href="#">EnerSys 2017 Equity Incentive Plan filed on June 20, 2017.</a>
10.24	<a href="#">Form of Severance Letter Agreement, dated April 1, 2019, between EnerSys and Shawn M. O'Connell.</a>
10.25	<a href="#">Employment Agreement, dated as of October 6, 2008, between Alpha Technologies, Inc. and Andrew Zogby.</a>
10.26	<a href="#">Employment Agreement, dated as of September 13, 2012, between Alpha Technologies, Inc. and Andrew Zogby.</a>
10.27	<a href="#">Employment Agreement Extension, effective June 27, 2017, between Alpha Technologies, Inc. and Andrew Zogby.</a>
10.28	<a href="#">Assignment of Employment Agreement, dated December 6, 2018, between Alpha Technologies, Inc. and Alpha Technologies Services, Inc. regarding Employment Agreement, dated as of October 6, 2008, between Alpha Technologies, Inc. and Andrew Zogby and subsequent extensions 2020.</a>
10.29	<a href="#">Amended and Restated 2017 Equity Incentive Plan (filed herewith)</a>
10.30	<a href="#">Form of Deferred Stock Unit Agreement – Non-Employee Directors – Amended and Restated 2017 Equity Incentive Plan (filed herewith)</a>
10.31	<a href="#">Form of Stock Option Agreement – Employees – Amended and Restated 2017 Equity Incentive Plan (filed herewith)</a>
10.32	<a href="#">Form of Restricted Stock Unit Agreement - Employees – Amended and Restated 2017 Equity Incentive Plan (filed herewith)</a>
21.1	<a href="#">Subsidiaries of the Registrant (filed herewith).</a>
23.1	<a href="#">Consent of Ernst &amp; Young LLP (filed herewith).</a>
31.1	<a href="#">Certification of the Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) Under the Securities Exchange Act of 1934 (filed herewith).</a>
31.2	<a href="#">Certification of the Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) Under the Securities Exchange Act of 1934 (filed herewith).</a>
32.1	<a href="#">Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).</a>

<b>Exhibit Number</b>	<b>Description of Exhibit</b>
101.INS	XBRL Instance Document - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Document
101.LAB	XBRL Taxonomy Extension Label Document
101.PRE	XBRL Taxonomy Extension Presentation Document

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ENERSYS

By \_\_\_\_\_ /s/ DAVID M. SHAFFER

**David M. Shaffer**  
**Chief Executive Officer**

May 26, 2021

## POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose name appears below hereby appoints David M. Shaffer and Michael J. Schmidlein and each of them, as his true and lawful agent, with full power of substitution and resubstitution, for him and in his, place or stead, in any and all capacities, to execute any and all amendments to the within annual report, and to file the same, together with all exhibits thereto, with the Securities and Exchange Commission, granting unto each said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that each said attorney-in-fact and agent may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this annual report has been signed below by the following persons in the capacities and on the dates indicated:

<b>Name</b>	<b>Title</b>	<b>Date</b>
<hr/> <i>/s/</i> DAVID M. SHAFFER <b>David M. Shaffer</b>	Chief Executive Officer	May 26, 2021
<hr/> <i>/s/</i> MICHAEL J. SCHMIDTLEIN <b>Michael J. Schmidlein</b>	Chief Financial Officer	May 26, 2021
<hr/> <i>/s/</i> KERRY M. KANE <b>Kerry M. Kane</b>	Vice President and Corporate Controller (Principal Accounting Officer)	May 26, 2021
<hr/> <i>/s/</i> CAROLINE CHAN <b>Caroline Chan</b>	Director	May 26, 2021
<hr/> <i>/s/</i> HWAN-YOON F. CHUNG <b>Hwan-yoon F. Chung</b>	Director	May 26, 2021
<hr/> <i>/s/</i> NELDA J. CONNORS <b>Nelda J. Connors</b>	Director	May 26, 2021
<hr/> <i>/s/</i> STEVEN M. FLUDDER <b>Steven M. Fludder</b>	Director	May 26, 2021
<hr/> <i>/s/</i> HOWARD I. HOFFEN <b>Howard I. Hoffen</b>	Director	May 26, 2021
<hr/> <i>/s/</i> ARTHUR T. KATSAROS <b>Arthur T. Katsaros</b>	Director	May 26, 2021
<hr/> <i>/s/</i> GENERAL ROBERT MAGNUS, USMC (RETIRED) <b>General Robert Magnus, USMC (Retired)</b>	Director	May 26, 2021
<hr/> <i>/s/</i> PAUL J. TUFANO <b>Paul J. Tufano</b>	Director	May 26, 2021
<hr/> <i>/s/</i> RONALD P. VARGO <b>Ronald P. Vargo</b>	Director	May 26, 2021



## DESCRIPTION OF CAPITAL STOCK

The following information describes our capital stock and provisions of our certificate of incorporation, as amended, and bylaws, as amended. This description is only a summary. You should refer to our certificate of incorporation and bylaws, which have been filed with the Securities and Exchange Commission.

### General Matters

Our authorized capital stock consists of 135,000,000 shares of common stock, par value \$0.01 per share, of which 42,831,879 shares were issued and outstanding as of May 21, 2021 and 1,000,000 shares of undesignated preferred stock, par value \$0.01 per share, none of which was outstanding as of May 21, 2021.

The following summary describes the material provisions of our capital stock. This summary is not meant to be a complete description of our capital stock and we urge you to read our certificate of incorporation and our bylaws, which are incorporated by reference into this prospectus.

Certain provisions of our certificate of incorporation and bylaws summarized below may be deemed to have an anti-takeover effect and may delay or prevent a tender offer or takeover attempt that a stockholder might consider in its best interest, including those attempts that might result in a premium over the market price for shares of common stock.

### Common Stock

We have one class of common stock. All holders of shares of common stock are entitled to the same rights and privileges. Holders of shares of common stock are entitled to one vote per share on the election or removal of our directors and on all other matters to be voted on by our stockholders.

Holders of shares of common stock are not entitled to any preemptive or preferential rights to subscribe for additional shares of any class of our capital stock. The holders of shares of common stock are entitled to receive dividends, when, as and if declared by our board of directors, out of funds legally available therefor. Holders of shares of common stock are entitled to share ratably, upon dissolution or liquidation, in the assets available for distribution to holders of shares of common stock after the payment of all prior claims.

### Preferred Stock

Our authorized capital stock includes 1,000,000 shares of undesignated preferred stock, none of which is issued or outstanding. Our board of directors is authorized, without further action by our stockholders, to provide for the issuance of such preferred stock in one or more series and to fix the dividend rate, conversion privileges, voting rights, redemption rights, redemption price or prices, liquidation preferences and qualifications, limitations and restrictions thereof with respect to each series. Holders of shares of preferred stock may be entitled to receive a preference payment in the event of any liquidation, dissolution or winding-up of our company before any payment is made to the holders of shares of our common stock. In some circumstances, the issuance of shares of preferred stock may render more difficult or tend to discourage a merger, tender offer or proxy contest, the assumption of control by a holder of a large block of our securities or the removal of incumbent management. Upon the affirmative vote of our board of directors, without stockholder approval, we may issue shares of preferred stock with voting and conversion rights that could adversely affect the holders of shares of our common stock. We have no current intention to issue any shares of preferred stock.

### Section 203 of the Delaware General Corporation Law

Section 203 of the Delaware General Corporation Law may have the effect of delaying, deferring or preventing a change of control. In general, Section 203 of the Delaware General Corporation Law prohibits a publicly held

Delaware corporation from engaging in a “business combination” with an “interested stockholder” for a period of three years following the date such stockholder became an “interested stockholder,” unless:

- prior to such date the board of directors approved either the “business combination” or the transaction that resulted in the stockholder becoming an “interested stockholder”;
- upon consummation of the transaction that resulted in the stockholder becoming an “interested stockholder,” the “interested stockholder” owned at least 85% of the voting stock outstanding at the time the transaction commenced, excluding for purposes of determining the voting stock outstanding those shares owned by persons who are directors and also officers and certain other stockholders; or
- on or subsequent to such date the “business combination” is approved by the board of directors and authorized at an annual or special meeting of stockholders by the affirmative vote of at least 66 2/3% of the outstanding voting stock that is not owned by the “interested stockholder.”

A “business combination” includes certain mergers, stock or asset sales and other transactions resulting in a financial benefit to the “interested stockholder.” An “interested stockholder” is a person who, together with affiliates and associates, owns (or in the preceding three years, did own) 15% or more of the outstanding voting stock. The statute could prohibit or delay mergers or other takeover or change in control attempts and, accordingly, may discourage attempts to acquire us.

#### **Limitation of Liability and Indemnification of Directors and Officers**

We have included in our certificate of incorporation and bylaws provisions to:

- eliminate the personal liability of our directors for monetary damages resulting from breaches of their fiduciary duty, but such provision does not eliminate liability for breaches of the duty of loyalty, acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, violations under Section 174 of the Delaware General Corporation Law or for any transaction from which the director derived an improper personal benefit; and
- indemnify our directors and officers to the fullest extent permitted by the Delaware General Corporation Law, including circumstances in which indemnification is otherwise discretionary.

Acting pursuant to the provisions of our certificate of incorporation and bylaws and the provisions of Section 145 of the Delaware General Corporation Law, we have entered into agreements with each of our officers and directors to indemnify them to the fullest extent permitted by such provisions and such law. We also are authorized to carry directors’ and officers’ insurance providing indemnification for our directors, officers and certain employees for some liabilities. We believe that these indemnification provisions and insurance are useful to attract and retain qualified directors and executive officers.

The limitation of liability and indemnification provisions in our certificate of incorporation and bylaws may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duty. These provisions also may have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit us and our stockholders. In addition, investments in our common stock may be adversely affected to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors or officers pursuant to the provisions described above, or otherwise, we have been advised that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

## **Other Provisions of our Certificate of Incorporation and Bylaws**

### ***Classified Board of Directors.***

Our certificate of incorporation provides for our board of directors to be divided into three classes of directors serving staggered three-year terms. Each class shall consist, as nearly as may be practicable, of one-third of the total number of directors constituting our entire board of directors. As a result, approximately one-third of our board of directors will be elected each year. When coupled with the provisions of our certificate of incorporation and bylaws authorizing only our board of directors to fill vacant directorships, a stockholder may be precluded from removing incumbent directors without cause and simultaneously gaining control of our board of directors by filling the vacancies created by such removal with its own nominees. This provision of our certificate of incorporation may not be amended or repealed by our stockholders except with the consent of the holders of at least two-thirds of our outstanding common stock.

### ***Special Meeting of Stockholders.***

Our certificate of incorporation provides that special meetings of our stockholders may be called only by our board of directors or our Chairman of the Board. This provision makes it more difficult for stockholders to take action opposed by our board of directors. This provision of our certificate of incorporation may not be amended or repealed by our stockholders except with the consent of the holders of at least two-thirds of our outstanding common stock.

### ***No Stockholder Action by Written Consent.***

Our certificate of incorporation provides that no action required or permitted to be taken at any annual or special meeting of our stockholders may be taken without a meeting, and the power of our stockholders to consent in writing, without a meeting, to the taking of any action is specifically denied. Such provision limits the ability of any stockholder to take action immediately and without prior notice to our board of directors. Such a limitation on a majority stockholder's ability to act might affect such person's or entity's decision to purchase our voting securities. This provision of our certificate of incorporation may not be amended or repealed by the stockholders except with the consent of the holders of at least two-thirds of our outstanding common stock.

### ***Advance Notice Requirements for Stockholder Proposals and Director Nominations.***

Our bylaws provide that stockholders seeking to bring business before an annual meeting of stockholders, or to nominate candidates for election as directors at an annual or special meeting of stockholders, must provide timely notice thereof in writing. To be timely, a stockholder's notice must be delivered to, or mailed and received at, our principal executive offices: in the case of an annual meeting that is called for a date that is within 30 days before or after the anniversary date of the immediately preceding annual meeting of stockholders, not less than 90 days nor more than 120 days prior to such anniversary date or, in the case of a special meeting called for the purpose of electing directors, not less than 90 days nor more than 120 days prior to such special meeting or not later than the close of business on the tenth day following the date on which public disclosure of the date of the meeting is made; and in the case of an annual meeting that is called for a date that is not within 30 days before or after the anniversary date of the immediately preceding annual meeting, not later than the close of business on the tenth day following the date on which public disclosure of the date of the meeting was made. Our bylaws also specify certain requirements for a stockholder's notice to be in proper written form. These provisions may preclude some stockholders from bringing matters before the stockholders at an annual or special meeting or from making nominations for directors at an annual or special meeting. You should refer to our bylaws for a complete description of these requirements. As set forth below, our bylaws may not be amended or repealed by our stockholders, except with the consent of holders of at least two-thirds of our outstanding common stock.

### ***Majority Vote Requirement for Uncontested Director Elections.***

The Corporate Governance and Nominating Committee has established informal procedures under which a director nominee must tender his or her contingent resignation to the Nominating and Corporate Governance Committee in advance of an annual meeting of stockholders. If the Director Nominee fails to receive a majority number of votes for re-election in an uncontested election at an annual meeting, the Nominating and Corporate Governance Committee will make a recommendation to the board of directors whether to accept or reject the resignation or whether other action shall be taken. The board of directors will act on the Committee's recommendation and publicly disclose its decision and the rationale behind it within 90 days from the date of the certification of the election results. The resignation becomes effective only if the director fails to receive a majority number of votes for re-election in an uncontested election at an annual meeting and the board of directors accepts the resignation.

### ***Adjournment of Meetings of Stockholders.***

Our bylaws provide that when a meeting of our stockholders is convened, the presiding officer, if directed by our board of directors, may adjourn the meeting if no quorum is present for the transaction of business or if our board of directors determines that adjournment is necessary or appropriate to enable the stockholders to consider fully information that our board of directors determines has not been made sufficiently or timely available to stockholders or to otherwise effectively exercise their voting rights. This provision will, under certain circumstances, make more difficult or delay actions by the stockholders opposed by our board of directors. The effect of such provision could be to delay the timing of a stockholders' meeting, including in cases where stockholders have brought proposals before the stockholders that are in opposition to those brought by our board of directors and therefore may provide our board of directors with additional flexibility in responding to such stockholder proposals. As set forth below, our bylaws may not be amended or repealed by our stockholders, except with the consent of holders of at least two-thirds of our outstanding common stock.

### ***No Cumulative Voting.***

The Delaware General Corporation Law provides that stockholders are not entitled to the right to cumulate votes in the election of directors unless our certificate of incorporation provides otherwise. Our certificate of incorporation does not provide for cumulative voting.

### ***Authorized but Unissued Capital Stock.***

Our certificate of incorporation authorizes our board of directors to issue one or more classes or series of preferred stock, and to determine, with respect to any such class or series of preferred stock, the voting powers (if any), designations, powers, preferences, rights and qualifications, limitations or restrictions of such preferred stock. We have no current intention to issue any shares of preferred stock.

The Delaware General Corporation Law does not require stockholder approval for any issuance of previously authorized shares of our capital stock. However, the listing requirements of the New York Stock Exchange, which will apply so long as our common stock is listed on the New York Stock Exchange, require, among other things, stockholder approval of certain related party transactions involving issuances of common stock, or securities convertible into or exercisable for common stock, if the issuance exceeds 1% of the number of shares of common stock outstanding or 1% of the voting power outstanding before the issuance. In addition, shareholder approval is required for certain issuances of common stock, or securities convertible into or exercisable for common stock, equal to or in excess of 20% of the voting power outstanding before such issuance or the number of shares of our common stock outstanding before the issuance of common stock or securities convertible into or exercisable for common stock. These additional shares may be used for a variety of corporate purposes, including future public offerings, to raise additional capital or to facilitate acquisitions.

One of the effects of the existence of unissued and unreserved common stock or preferred stock may be to enable our board of directors to issue shares to persons friendly to current management, which issuance could render more difficult or discourage an attempt to obtain control of our company by means of a merger, tender offer, proxy contest

or otherwise, and thereby protect the continuity of our management and possibly deprive the stockholders of opportunities to sell their shares of common stock at prices higher than prevailing market prices.

***Amendment of the Bylaws.***

Our certificate of incorporation provides that our bylaws may not be amended or repealed by our stockholders except with the consent of holders of at least two-thirds of our outstanding common stock and grants our board of directors the authority to amend and repeal our bylaws without a stockholder vote in any manner not inconsistent with the laws of Delaware or our certificate of incorporation. This provision makes it more difficult for our stockholders to make changes to our bylaws that are opposed by our board of directors. This provision of our certificate of incorporation may not be amended or repealed by our stockholders except with the consent of holders of at least two-thirds of our outstanding common stock.

**Transfer Agent and Registrar**

Computershare is the transfer agent and registrar for our common stock.

**ENERSYS  
AMENDED AND RESTATED  
2017 EQUITY INCENTIVE PLAN**

1. **Purpose.**

The Amended and Restated EnerSys 2017 Equity Incentive Plan (as amended from time to time, the “Plan”) is intended to provide an incentive to employees and non-employee directors of EnerSys, a Delaware corporation (the “Company”), and its Subsidiaries to remain in the service of the Company and its Subsidiaries and to align their interest in the success of the Company with the long-term interests of the Company’s stockholders. The Plan seeks to promote the highest level of performance by providing an economic interest in the long-term performance of the Company.

2. **Definitions.**

For purposes of the Plan, the following terms have the following meanings:

“Affiliate” means, with respect to any Person, any other Person directly or indirectly controlling, controlled by or under common control with, such Person. For purposes of this definition, “control” (including with correlative meanings, the terms “controlling,” “controlled by,” or “under common control with”), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or by contract or otherwise.

“Agreement” means an agreement between the Company and an Eligible Person providing for the grant of an Award hereunder, which may be in electronic form.

“Award” means any Option, Stock Appreciation Right, Restricted Shares, Bonus Shares, Stock Unit, Performance Share, Performance Compensation, or other incentive payable in cash or in shares of Common Stock as may be designated by the Compensation Committee from time to time under the Plan.

“Beneficial Owner” shall have the meaning set forth in Rule 13d-3 under the Act.

“Beneficiary” or “Beneficiaries” means the person(s) designated by a Participant or such Participant’s Permitted Transferee in writing to the Company to receive payments or other distributions or rights pursuant to the Plan upon the death of such Participant or such Participant’s Permitted Transferee. If no Beneficiary is so designated or if no Beneficiary is living at the time a payment, distribution, or right becomes payable or distributable pursuant to the Plan, such payment, distribution, or right shall be made to the estate of the Participant or a Permitted Transferee thereof. The Participant or Permitted Transferee, as the case may be, shall have the right to change the designated Beneficiaries from time to time by written instrument filed with the Compensation Committee in accordance with such rules as may be specified by the Compensation Committee. Notwithstanding anything to the contrary, if Participant is married, Participant’s current spouse must give express consent prior to Participant designating a non-spouse as their beneficiary.

“Board of Directors” means the Board of Directors of the Company.

“Bonus Shares” mean an Award of shares of Common Stock granted under Section 9 that are fully vested when granted.

“Cashless Exercise” means an exercise of Vested Options outstanding under the Plan through (a) the delivery of irrevocable instructions to a broker to make a sale of a number of Option Shares that results in proceeds thereon in an amount required to pay the aggregate exercise price for all the shares underlying such Vested Options being so exercised (and any required withholding tax) and to deliver such proceeds to the Company in satisfaction of such aggregate exercise price (and any required withholding tax) or (b) any other surrender to the Company of Option Shares or Vested Options outstanding under the

Plan to satisfy the applicable aggregate exercise price (and any withholding tax) required to be paid upon such exercise.

“Cause” means, with respect to any Participant, (a) “cause” as defined in an employment agreement applicable to the Participant (so long as any act or omission constituting “cause” for such purpose was willful), or (b) in the case of a Participant who does not have an employment agreement that defines “cause”: (i) any act or omission that constitutes a material breach by the Participant of any of such Participant’s obligations under such Participant’s employment agreement (if any) with the Company or any of its Subsidiaries, the applicable Agreement or any other agreement with the Company or any of its Subsidiaries; (ii) the willful and continued failure or refusal of the Participant substantially to perform the duties required of such Participant as an employee of the Company or any of its Subsidiaries, or performance significantly below the level required or expected of the Participant, as determined by the Compensation Committee; (iii) any willful violation by the Participant of any federal or state law or regulation applicable to the business of the Company or any of its Subsidiaries or Affiliates, or the Participant’s commission of any felony or other crime involving moral turpitude, or any willful perpetration by the Participant of a common law fraud; or (iv) any other misconduct by the Participant that is materially injurious to the financial condition or business reputation of, or is otherwise materially injurious to, the Company or any of its Subsidiaries or Affiliates.

“Change in Control” means the occurrence of any one of the following (unless otherwise provided in an Agreement):

(a) any Person, including any “group,” as defined in Section 13(d)(3) of 1934 Act, is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing a majority of the combined voting power of the Company’s then Outstanding securities, excluding any Person who becomes such a Beneficial Owner in connection with a Qualifying Business Combination described in paragraph (c) below or who becomes such a Beneficial Owner as a result of a change in ownership percentage resulting solely from an acquisition of securities by the Company; or

(b) the following individuals cease for any reason to constitute a majority of the number of directors then serving on the Board of Directors: (i) individuals who, as of the Effective Date (as defined below), constitute the Board of Directors and (ii) any new director whose appointment or election by the Board of Directors or nomination for election by the Company’s stockholders was approved or recommended by a vote of at least 66-2/3% of the directors then still in office who either were directors at the Effective Date or whose appointment, election or nomination for election was previously so approved or recommended; or

(c) there is consummated a reorganization, merger or consolidation of the Company with, or sale or other disposition of at least 80% of the assets of the Company in one or a series of related transactions to, any other Person (a “Business Combination”), other than a Business Combination that would result in the voting securities of the Company Outstanding immediately prior to such Business Combination continuing to represent (either by remaining Outstanding or by being converted into voting securities of the surviving entity or any parent thereof) more than 50% of the combined voting power of the securities of the Company or such surviving entity or any parent thereof Outstanding immediately after such Business Combination (a “Qualifying Business Combination”); or

(d) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company’s assets, other than a sale or disposition by the Company of all or substantially all of the Company’s assets to an entity, more than 50% of the combined voting power of the Outstanding securities of which is owned by stockholders of the Company in substantially the same proportions as their ownership of the Company immediately prior to such sale.

“Code” means the Internal Revenue Code of 1986, as amended, including the rules and regulations promulgated thereunder.

“Common Stock” means shares of Common Stock, par value \$0.01 per share, of the Company.

“Compensation Committee” means the Compensation Committee of the Board of Directors or a subcommittee thereof formed by the Compensation Committee to act as the Committee hereunder. The committee shall consist of no fewer than two members of the Board of Directors, each of whom is (i) a “non-employee director” within the meaning of Rule 16b-3 under the 1934 Act, (ii) an “outside director” within the meaning of Section 162(m) of the Code, and (iii) an “independent director” for purpose of the rules of the principal U.S. national securities exchange on which the Shares are traded, to the extent required by such rules.

“Competitive Product or Service” means the design, manufacture, importing, development, distribution, marketing, or sale of:

(a) motive power batteries, chargers, products, and accessories (including, without limitation, batteries, chargers and accessories for industrial forklift trucks, other materials handling equipment, transportation applications, and other electric powered vehicles or machinery, as well as any software or technology related thereto), and each and every component thereof;

(b) reserve power batteries, chargers, products, and accessories (including, without limitation, standby batteries and power supply equipment for wireless and wireline telecommunications applications, such as central telephone exchanges, microwave relay stations, and switchgear and other instrumentation control systems and those used in utility industries, uninterruptible power supplies and other applications requiring stored energy solutions including medical, aerospace and defense systems, and outdoor equipment enclosure solutions, as well as any software or technology related thereto), and each and every component thereof;

(c) stationary and DC power systems, battery management systems, power control systems, stored energy solutions, renewable energy power systems, energy pipelines, maintenance services, applications for computer and computer-controlled systems, specialty power applications, software monitoring and control systems, and any products, accessories, software, technology, consulting services and/or turnkey services relating thereto (including the design, engineering, installation or service thereof), including each and every component thereof; and/or

(d) any other product, service, software, or technology development of any kind or type that the Company or any of its Subsidiaries or Affiliates (i) now makes, designs, manufactures, imports, develops, distributes, markets, researches or sells, or (ii) makes, designs, manufactures, imports, develops, distributes, markets, researches or sells at any time during Participant's employment with the Company and/or any of its Subsidiaries, such as, for example, lithium-ion, nickel-zinc cells or batteries, enclosures or lithium products, including but not limited to those used in space, defense, medical, transportation, industrial, or other stored energy solution applications, and/or hydrogen fuel cells.

“Date of Grant” means the date of grant of an Award as set forth in the applicable Agreement.

“Delay Period” shall have the meaning set forth in Section 24.

“Effective Date” shall have the meaning set forth in Section 25.

“Eligible Persons” means employees and non-employee directors of the Company and its Subsidiaries.

“Fair Market Value” means, with respect to a share of Common Stock on any relevant day, (a) if such Common Stock is traded on a national securities exchange, the closing price on such day, or if the Common Stock did not trade on such day, the closing price on the most recent preceding day on which there was a trade, (b) if such Common Stock is quoted on an automated quotation system, the closing price on such day, or if the Common Stock did not trade on such day, the mean between the closing bid



and asked prices on such day, or (c) in all other cases, the “fair market value” as determined by the Compensation Committee in good faith and using such financial sources as it deems relevant and reliable (but in any event not less than fair market value within the meaning of Code Section 409A).

“Good Reason” means, with respect to any Participant, (a) “good reason” as defined in an employment agreement applicable to such Participant, or (b) in the case of a Participant who does not have an employment agreement that defines “good reason,” a failure by the Company to pay material compensation due and payable to the Participant in connection with such Participant’s employment.

“Incentive Stock Option” means an Option granted with the intention that it qualify as an “incentive stock option” as that term is defined in Code Section 422 or any successor provision.

“1933 Act” means the Securities Act of 1933, as amended, and the rules and regulations of the Commission thereunder.

“1934 Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission thereunder.

“Nonqualified Stock Option” means an Option other than an Incentive Stock Option.

“Option” means a right to purchase Common Stock granted pursuant to Section 8.

“Option Price” means, with respect to any Option, the exercise price per share of Common Stock to which it relates.

“Option Shares” means the shares of Common Stock acquired by a Participant upon exercise of an Option.

“Outstanding,” with respect to any share of Common Stock, means, as of any date of determination, all shares that have been issued on or prior to such date, other than shares repurchased or otherwise reacquired by the Company or any Affiliate thereof, on or prior to such date.

“Participant” means any Eligible Person who has been granted an Award.

“Performance Compensation” has the meaning set forth in Section 12(b).

“Performance Share” has the meaning set forth in Section 12(a).

“Permanent Disability,” with respect to any Participant who is an employee of the Company or any of its Subsidiaries, shall be defined in the same manner as such term or a similar term is defined in an employment agreement applicable to the Participant or, in the case of a Participant who does not have an employment agreement that defines such term or a similar term, means that the Participant is unable to perform substantially all such Participant’s duties as an employee of the Company or any of its Subsidiaries by reason of illness or incapacity for a period of more than six months, or six months in the aggregate during any 12-month period, established by medical evidence reasonably satisfactory to the Compensation Committee.

“Permitted Transferee” means, (a) with respect to outstanding shares of Common Stock held by any Participant, (i) the Participant’s spouse, children or grandchildren (including any adopted and step children or grandchildren), parents, grandparents or siblings, (ii) a trust for the benefit of one or more of the Participant or the persons referred to in clause (i), or (iii) a partnership, limited liability company or corporation in which the Participant or the persons referred to in clause (i) are the only partners, members or shareholders, and (b) with respect to Awards, or any other share of Common Stock issued as or pursuant to any Award, held by any Participant, (i) any Person to whom such Awards or other shares are transferred by will or the laws of descent and distribution or (ii) the Company.

“Person” means an individual, a partnership, a joint venture, a corporation, an association, a trust, an estate or other entity or organization, including a government or any department or agency thereof.

“Prior Plans” mean the EnerSys 2010 Equity Incentive Plan, as amended and restated from time to time, the EnerSys Amended and Restated 2006 Equity Incentive Plan, and the EnerSys 2004 Equity Incentive Plan.

“Qualifying Performance Criteria” has the meaning set forth in Section 14(a) of the Plan.

“Restricted Shares” mean shares of Common Stock awarded to a Participant subject to the terms and conditions of the Plan under Section 9, the rights of ownership of which are subject to restrictions prescribed by the Compensation Committee.

“Retirement,” with respect to any Participant who is an employee of the Company or any of its Subsidiaries, unless otherwise provided in a company policy or approved by the Committee or Administrator, means resignation or termination of employment (other than termination for Cause) upon the first to occur of the Participant’s attaining (a) age 65 or (b) age 60 with 10 years of service with the Company or a Subsidiary (including years of service granted by the Company or a Subsidiary as a result of a merger, acquisition, or other transaction); further provided that the Compensation Committee may determine in its sole discretion that a resignation or termination of employment under other circumstances shall be considered “Retirement” for purposes of the Plan.

“Stock Appreciation Right” means a right that entitles the Participant to receive, in cash or Common Stock (as determined by the Compensation Committee in its sole discretion) value equal to or otherwise based on the excess of (a) the Fair Market Value of a specified number of shares of Common Stock at the time of exercise over (b) the exercise price of the right, as established by the Compensation Committee on the Date of Grant.

“Stock Unit” means an Award granted under Section 11 denominated in units of Common Stock.

“Subsidiary” means any corporation in which more than 50% of the total combined voting power of all classes of stock is owned, either directly or indirectly, by the Company or another Subsidiary.

“Substitute Awards” shall mean Awards granted or Shares issued by the Company in assumption of, or in substitution or exchange for, awards previously granted, or the right or obligation to make future awards, in each case by a company acquired by the Company or any Subsidiary or with which the Company or any Subsidiary combines.

“Vested Options” means, as of any date of determination, Options that by their terms have vested and are exercisable on such date.

“Vested Restricted Shares” means, as of any date of determination, Restricted Shares that by their terms have vested as of such date.

A “Wrongful Solicitation” shall be deemed to occur when a Participant or former Participant directly or indirectly (except in the course of such Participant’s employment with the Company), for the purpose of conducting or engaging in a business or enterprise (other than the Company and its direct or indirect Subsidiaries and other Affiliates) in connection with a Competitive Product or Service:

(a) With respect to the solicitation and/or inducement of Customers: Participant directly or indirectly: (i) solicits or attempts to solicit any Customer (defined below); or (ii) induces or encourages any Customer to terminate a relationship with the Company and/or any of its Subsidiaries or otherwise to cease accepting services or products from the Company and/or any of its Subsidiaries; and/or

(b) With respect to the solicitation and/or inducement of employees: Participant directly or indirectly: (i) solicits, recruits, encourages (or attempts to solicit, recruit, or encourage),

or by assisting others in soliciting, recruiting, or encouraging, any Company employees or former employees (or those of any of Company's Subsidiaries) with whom Participant worked, had business contact, or about whom Participant gained nonpublic or confidential information ("Employees or Former Employees"); (ii) contacts or communicates with Employees or Former Employees for the purpose of inducing, assisting, encouraging and/or facilitating them to terminate their employment with the Company and/or any of its Subsidiaries or find employment or work with another person or entity; (iii) provides or passes along to any person or entity the name, contact and/or background information about any Employees or Former Employees or provide references or any other information about them; (iv) provides or passes along to Employees or Former Employees any information regarding potential jobs or entities or persons for which to work, including but not limited to job openings, job postings, or the names or contact information of individuals or companies hiring people or accepting job applications; and/or (v) offers employment or work to any Employees or Former Employees (for purposes of this subparagraph, "Former Employees" shall refer to employees who are not employed by the Company and/or any of its Subsidiaries at the time of the attempted recruiting or hiring, but were employed by or working for the Company and/or any of its Subsidiaries in the three (3) months prior to the time of the attempted recruiting or hiring and/or interference); and/or

(c) With respect to interference with vendors and suppliers: Participant directly or indirectly interferes with the Company's relationships (or that of any of its Subsidiaries) with its vendors or suppliers in any way that would impair the Company's relationship (or that of any of its Subsidiaries) with such vendors or suppliers, including by reducing, diminishing or otherwise restricting the flow of supplies, services or goods from the vendors or suppliers to the Company and/or any of its Subsidiaries; and/or

(d) Within the Restricted Geographic Area (defined below), Participant performs the same or similar responsibilities Participant performed for the Company and/or any of its Subsidiaries during the twenty-four (24) months prior to Participant's last day of employment with the Company and/or any of its Subsidiaries in connection with a Competitive Product or Service. "Restricted Geographic Area" means the territory (i.e.: (i) country(ies), (ii) state(s), (iii) county(ies), or (iv) city(ies)) in which, during the twenty-four (24) months prior to Participant's last day of employment with the Company and/or any of its Subsidiaries, Participant: (a) provided services on behalf of the Company (or in which Participant supervised, directly or indirectly, the servicing activities), and/or (b) solicited Customers or otherwise sold products or services on behalf of the Company (or in which Participant supervised, directly or indirectly, the solicitation or servicing activities related to such Customers).

For purposes of this definition of "Wrongful Solicitation", "Customer" means any person(s) or entity(ies) that, within twenty-four (24) months prior to Participant's last day of employment with the Company and/or any of its Subsidiaries, Participant, directly or indirectly (e.g., through employees whom Participant supervised): (a) provided products or services in connection with the Company's business (or that of any of its Subsidiaries); and/or (b) provided written proposals concerning receiving products or services from the Company (and/or any of its Subsidiaries).

### 3. **Administration of the Plan.**

Members of the Compensation Committee. The Plan shall be administered, and Awards shall be granted hereunder, by the Compensation Committee.

Authority of the Compensation Committee. Subject to Section 3(a), the Compensation Committee shall have full discretionary power and authority, subject to such resolutions not inconsistent with the provisions of the Plan or applicable law as may from time to time be adopted by the Board, to (a) interpret and administer the Plan and any instrument or agreement entered into under the Plan (including determining the terms and conditions of all Awards, any vesting schedules, and any waivers or acceleration thereof), (b) establish such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan, and (c) make any determination and take any other

action that the Compensation Committee deems necessary or desirable for administration of the Plan. For the avoidance of doubt, the minimum vesting restriction set forth in Section 6 below does not apply to the Compensation Committee's discretion to provide in the terms of an Award or otherwise for accelerated exercisability or vesting of any Award upon the occurrence of one or more events other than completion of a service period, including an involuntary termination of employment, Retirement, death, disability or a Change in Control. All questions of interpretation, administration, and application of the Plan shall be determined in good faith by a majority of the members of the Compensation Committee then in office, except that the Compensation Committee may authorize any one or more of its members, or any officer of the Company, to execute and deliver documents on behalf of the Compensation Committee, and the determination of such majority shall be final and binding in all matters relating to the Plan. Notwithstanding the foregoing, any action or determination by the Compensation Committee specifically affecting or relating to an Award to a non-employee director shall require the prior approval of the Board of Directors.

(a) To the extent not inconsistent with applicable law, including Section 162(m) of the Code, with respect to Awards intended to comply with the performance-based compensation exception under Section 162(m), or the rules and regulations of the principal U.S. national securities exchange on which the Shares are traded, the Compensation Committee may (i) delegate to a committee of one or more directors of the Company any of the authority of the Committee under the Plan, including the right to grant, cancel or suspend Awards and (ii) authorize one or more executive officers to do one or more of the following with respect to employees who are not directors or executive officers of the Company (A) designate employees to be recipients of Awards, (B) determine the number of Shares subject to such Awards to be received by such employees and (C) cancel or suspend Awards to such employees; provided that (x) any resolution of the Committee authorizing such officer(s) must specify the total number of Shares subject to Awards that such officer(s) may so award and (y) the Committee may not authorize any officer to designate himself or herself as the recipient of an Award.

#### 4. **Number of Shares Issuable in Connection with Awards.**

(a) Limit. As of the Effective Date and subject to adjustment as provided in Section 16(a), the maximum aggregate number of shares of Common Stock that may be issued in connection with Awards granted under the Plan is 4,173,554 shares, less one (1) Share for every one (1) Share that was subject to an option or stock appreciation right granted after March 31, 2017 and prior to the Effective Date under any Prior Plan and 2.74 Shares for every one (1) Share that was subject to an award other than an option or stock appreciation right granted after March 31, 2017 and prior to the Effective Date under any Prior Plan. Any Shares that are subject to Options or Stock Appreciation Rights shall be counted against this limit as one (1) Share for every one (1) Share granted, and any Shares that are subject to Awards other than Options or Stock Appreciation Rights shall be counted against this limit as 2.74 Shares for every one (1) Share granted. No more than the maximum aggregate number of shares that may be used under the Plan, as stated in this Section 4(a), may be granted as incentive stock options. Upon the Effective Date, no further awards may be made from the Prior Plans. Notwithstanding the foregoing, shares subject to a tandem SAR shall be charged against the authorized shares only once for the overall number of shares subject thereto and not for both the number of shares subject to the tandem SAR portion of the Award and the number of shares subject to the Option portion of the Award. The provisions of the preceding sentence shall apply whether an exercised tandem SAR is settled in cash or stock, or partly in both.

Subject to adjustment as provided in Section 16(a), no Participant may be granted (i) Options or Stock Appreciation Rights during any calendar year with respect to more than 300,000 Shares and (ii) Awards other than Options or Stock Appreciation Rights during any calendar year that are intended to comply with the performance-based exception under Code Section 162(m) and are denominated in Shares under which more than 150,000 Shares may be earned for each twelve (12) months in the vesting period or performance period. During any calendar year no Participant may be granted Awards that are intended to comply with the performance-based exception under Code Section 162(m) and are denominated in cash under which more than may \$5,000,000 may be earned for each twelve (12) months in the performance

period. Each of the limitations in this section shall be multiplied by two (2) with respect to Awards granted to a Participant during the first twelve (12) months following the date on which the Participant commenced employment with the Company and its Subsidiaries. If an Award is cancelled, the cancelled Award shall continue to be counted toward the applicable limitation in this Section).

(b) Replenishment Provisions. Shares subject to any Awards (or awards under any Prior Plan) that expire without being exercised or that are forfeited, or otherwise terminate or are settled in cash (in whole or in part), such Shares shall, to the extent of such expiration, forfeiture, termination or cash-settlement, be added to the Shares available for future grants of Awards under the Plan, provided that shares subject to a tandem SAR shall be replenished only once for the overall number of shares subject thereto and not for both the number of shares subject to the tandem SAR portion of the Award and the number of shares subject to the Option portion of the Award. Shares subject to Awards that have been retained by the Company or tendered by a Participant in payment or satisfaction of the exercise/purchase price or tax withholding obligation of an Option or Stock Appreciation Right Award shall not be added back to the overall Share limit set forth in paragraph (a) above and shall not be available for future Awards under the Plan. Shares subject to Awards that have been retained by the Company or tendered by a Participant in payment or satisfaction of tax withholding obligations of an Award other than an Option or Stock Appreciation Right shall be added back to the overall Share limit set forth in paragraph (a) above and shall be available for future Awards under the Plan. The Company shall not be under any obligation, however, to make any such future Awards.

(c) Substitute Awards. Substitute Awards issued by the Company in connection with an acquisition or other corporate transaction shall not count against the total share limitation or the per-Participant annual limitation, each as set forth in paragraph (a) above, nor shall Shares subject to a Substitute Award be added to the Shares available for Awards under the Plan as provided above. Additionally, in the event that a company acquired by the Company or any Subsidiary or with which the Company or any Subsidiary combines has shares available under a pre-existing plan approved by stockholders and not adopted in contemplation of such acquisition or combination, the shares available for grant pursuant to the terms of such pre-existing plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to the holders of common stock of the entities party to such acquisition or combination) may be used for Awards under the Plan and shall not reduce the Shares authorized for grant under the Plan (and Shares subject to such Awards shall not be added to the Shares available for Awards under the Plan as provided above); provided that Awards using such available shares shall not be made after the date awards or grants could have been made under the terms of the pre-existing plan, absent the acquisition or combination, and shall only be made to individuals who were not employees or directors of the Company or a Subsidiary prior to such acquisition or combination.

(d) Limit on Awards to Directors. Notwithstanding any other provision of the Plan to the contrary, the aggregate grant date fair value of Shares (computed as of the date of grant in accordance with applicable financial accounting rules) subject to Awards granted under this Plan, together with any cash compensation earned and paid or payable, for services rendered during any calendar year to any one Director shall not exceed \$600,000. For the avoidance of doubt, any compensation that is deferred shall be counted towards the foregoing limit for the year in which the compensation is earned (and not counted in the year it is paid/settled), and no interest or other earnings on such compensation shall count towards the limit.

(e) Adjustments. The limits provided for in this Section 4 shall be subject to adjustment as provided in Section 16(a).

#### 5. Eligible Persons.

Awards may be granted or offered only to Eligible Persons. The Compensation Committee shall have the authority to select the individual Participants to whom Awards may be granted from among such

class of Eligible Persons and to determine the number and form of Awards to be granted to each Participant.

**6. Agreement; Minimum Vesting Requirement.**

The terms and conditions of each grant or sale of Awards shall be embodied in an Agreement in a form approved by the Compensation Committee, which shall contain terms and conditions not inconsistent with the Plan and which shall incorporate the Plan by reference. Each Agreement shall: (a) state the date as of which the Award was granted or sold, and (i) in the case of Options and Stock Appreciation Rights, set forth the number of Options and Stock Appreciation Rights being granted to the Participant and the applicable Option Price and/or exercise price (for Stock Appreciation Rights) and expiration date(s), and (ii) in the case of Restricted Shares and other Awards, set forth the number of Restricted Shares or other Awards being granted or offered to the Participant and, if applicable, the purchase price or other consideration for such Restricted Shares or other Awards; (b) set forth the vesting schedule (in accordance with this Section 6); (c) set forth any other terms and conditions established by the Compensation Committee; (d) be signed by the recipient of the Award and a person designated by the Compensation Committee; and (e) be delivered to the recipient of the Award.

Notwithstanding any other provision of the Plan to the contrary, vesting of equity-based Awards shall be contingent upon the completion of a service period of at least one year with respect to the Award; provided, that, the Compensation Committee may grant equity-based Awards without regard to the foregoing minimum vesting requirement with respect to a maximum of five percent (5%) of the available share reserve authorized for issuance under the Plan, pursuant to Section 4(a) (subject to adjustment under Section 16(a)).

**7. Restrictions on Transfer.**

(a) Restrictions on Transfer. No Restricted Share, Bonus Share, Performance Share, or Option Share or other share of Common Stock issued as or pursuant to any Award may be sold, transferred, assigned, pledged, or otherwise encumbered or disposed of (or made the subject of any derivative transaction) to or with any third party (other than a Permitted Transferee); provided, however, that any such restriction on transfer shall terminate as to any such share when such share is no longer subject to any term, condition or other restriction under the Plan (other than Section 7(b)). No Option, Stock Appreciation Right, Stock Unit, or other Award not in the form of a share of Common Stock may be sold, transferred, assigned, pledged, or otherwise encumbered or disposed of (or made the subject of any derivative transaction) to or with any third party other than a Permitted Transferee. Each Permitted Transferee (other than the Company) by will or the laws of descent and distribution or otherwise, of any Award (or share issued in respect thereof) shall, as a condition to the transfer thereof to such Permitted Transferee, execute an agreement pursuant to which it shall become a party to the Agreement applicable to the transferor.

(b) No Participant will, directly or indirectly, offer, sell, assign, transfer, grant or sell a participation in, create any encumbrance on or otherwise dispose of any Award or any Shares with respect thereto (or solicit any offers to buy or otherwise acquire, or take a pledge of, any Award or any Shares with respect thereto), in any manner that would conflict with or violate the 1933 Act.

**8. Options.**

(a) Terms of Options Generally. The Compensation Committee may grant Options designated as Incentive Stock Options or Nonqualified Stock Options. Options may be granted to any Eligible Person. Each Option shall entitle the Participant to whom such Option was granted to purchase, upon payment of the relevant Option Price, one share of Common Stock. Options granted under the Plan shall comply with the following terms and conditions:

(i) Option Price.

A. The Option Price for shares purchased under an Option shall be as determined by the Compensation Committee, but shall not be less than the Fair Market Value of the Common Stock as of the Date of Grant, except in the case of Substitute Awards issued by the Company in connection with an acquisition or other corporate transaction.

B. The Option Price for shares purchased under an Option shall be paid in full to the Company by delivery of consideration equal to the product of the Option Price and the number of shares purchased, together with any amounts required to be withheld for tax purposes under Section 17(c) of this Plan. Such consideration must be paid before the Company will issue the shares being purchased and must be in a form or a combination of forms acceptable to the Compensation Committee for that purchase, which forms may (but are not required to) include:

(1) cash;

(2) check or wire transfer;

(3) tendering (either actually or by attestation) shares of Common Stock already owned by the Participant, in accordance with any applicable laws or accounting rules;

(4) to the extent permitted by applicable law, Cashless Exercise; or

(5) such other consideration as the Compensation Committee may permit in its sole discretion; provided, however, that any Participant may, at any time, exercise any Vested Option (or portion thereof) owned by such Participant pursuant to a Cashless Exercise without any prior approval or consent of the Compensation Committee.

(ii) Vesting of Options. Each Option shall vest and become exercisable on such terms and conditions as shall be prescribed by the Compensation Committee.

(iii) Duration of Options. Subject to earlier termination in accordance with the terms of the Plan and the instrument evidencing the Option, the maximum term of an Option shall be as established for that Option by the Compensation Committee but in no event shall be greater than ten years from the Date of Grant.

(iv) Exercise Following Termination of Employment. Upon termination of a Participant's employment with the Company and its Subsidiaries, unless otherwise provided in an Agreement or as determined by the Compensation Committee in its sole discretion, the following terms and conditions shall apply:

A. if the Participant's employment is terminated by the Company other than for Cause, or as a result of the Participant's resignation for Good Reason, or as a result of death, Permanent Disability or Retirement, the Participant (or, in the case of the Participant's death, such Participant's Beneficiary) may exercise any Options, to the extent vested as of the date of such termination, at any time until the earlier of (I) 60 days (three years, in the case of Retirement) following the date of such termination of employment, and (II) the expiration of the Option under the provisions of clause (iii) above; and

B. if the Participant's employment is terminated by the Company for Cause, or as a result of the Participant's resignation other than for Good Reason or Retirement, all of the Participant's Options (whether or not vested) shall expire and be canceled without any payment therefor as of the date of such termination.

Any Options not exercised within the applicable time period specified above shall expire at the end of such period and be canceled without any payment therefor.

(v) Extension of Termination Date. An Agreement for an Option may provide that if the exercise of the Option following the termination of the Participant's employment for any reason would

be prohibited at any time because the issuance of the shares of Common Stock would violate the registration requirements under the 1933 Act or any other state or federal securities law or the rules of any securities exchange or interdealer quotation system, the Option shall terminate on the earlier of (A) the expiration of the term of the Option in accordance with subsection (iv) above or (B) the expiration of a period after termination of the Participant's employment that is thirty (30) days after the end of the period during which the exercise of the Option would be in violation of such registration or other securities law requirements.

(vi) Certain Restrictions. Options granted hereunder shall be exercisable during the Participant's lifetime only by the Participant.

(vii) Stockholder Rights; Option and Share Adjustments. A Participant shall have no rights as a stockholder with respect to any shares of Common Stock issuable upon exercise of an Option until a certificate or certificates evidencing such shares shall have been issued to such Participant. Except as otherwise provided by the Board of Directors, no adjustment (including an adjustment of an Option's exercise price) shall be made with respect to (A) outstanding Options for dividends or other distributions, whether made with respect to Common Stock or otherwise (except as pursuant to Section 16), or (B) dividends, distributions or other rights in respect of any share of Common Stock for which the record date is prior to the date upon which the Participant shall become the holder of record thereof.

(viii) Incentive Stock Options. Incentive Stock Options granted under this Plan shall be subject to the following additional conditions, limitations, and restrictions:

A. Incentive Stock Options may be granted only to employees of the Company or a Subsidiary or parent corporation of the Company, within the meaning of Code Section 424.

B. No Incentive Stock Option may be granted under this Plan after the 10-year anniversary of the date on which the Plan is adopted by the Board or, if earlier, the date on which the Plan is approved by the Company's stockholders.

C. The aggregate Fair Market Value (as of the Date of Grant) of the Common Stock with respect to which the Incentive Stock Options awarded to any Participant first become exercisable during any calendar year may not exceed \$100,000. For purposes of the \$100,000 limit, the Participant's Incentive Stock Options under this Plan and all other plans maintained by the Company and its Subsidiaries will be aggregated. To the extent any Incentive Stock Option would exceed the \$100,000 limit, the Incentive Stock Option will thereafter be treated as a Nonqualified Stock Option for all purposes. No Incentive Stock Option may be granted to any individual who owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any Subsidiary.

D. If the Compensation Committee exercises its discretion to permit an Incentive Stock Option to be exercised by a Participant more than three months after the termination of a Participant's employment for any reason (or more than 12 months if the Participant is permanently and totally disabled, within the meaning of Code Section 22(e)), the Incentive Stock Option will thereafter be treated as a Nonqualified Stock Option for all purposes. For purposes of this subclause D, a Participant's employment relationship will be treated as continuing uninterrupted during any period that the Participant is on military leave, sick leave or another Approved Leave of Absence if the period of leave does not exceed 90 consecutive days, or a longer period to the extent that the Participant's right to reemployment with the Company or a Subsidiary is guaranteed by statute or by contract. If the period of leave exceeds 90 consecutive days and the Participant's right to reemployment is not guaranteed by statute or contract, the employment relationship will be deemed to have ceased on the 91st day of the leave.

(ix) Additional Terms and Conditions. Each Option granted hereunder, and any shares of Common Stock issued in connection with such Option, shall be subject to such additional terms and conditions not inconsistent with the Plan as are prescribed by the Compensation Committee and set forth in the applicable Agreement.



(b) Unvested Options. Unless otherwise provided in an Agreement, upon termination of a Participant's employment or service with the Company and its Subsidiaries, all Options granted to such Participant that have not theretofore vested (and which do not vest by reason of such termination of employment or service) shall terminate and be canceled without any payment therefor.

**9. Restricted Shares and Bonus Shares.**

(a) Terms of Restricted Shares and Bonus Shares Generally. Restricted Shares and Bonus Shares awarded by the Compensation Committee shall not require payment of any consideration by Participants, except as otherwise determined by the Compensation Committee in its sole discretion.

(b) Restricted Shares and Bonus Shares shall comply with the following terms and conditions:

(i) Vesting. Any Awards of Restricted Shares or Bonus Shares shall vest in accordance with a vesting schedule to be specified by the Compensation Committee.

(ii) Stockholder Rights. Unless otherwise determined by the Compensation Committee in its sole discretion, a Participant shall have all rights of a stockholder as to the Restricted Shares and Bonus Shares awarded to such Participant, including the right to receive dividends (subject to the following paragraph) and the right to vote in accordance with the Company's Certificate of Incorporation, subject to the restrictions set forth in the Plan and the applicable Agreement.

(iii) Dividends and Distributions. Any shares of Common Stock or other securities of the Company received by a Participant as a result of a stock distribution to holders of Restricted Shares or as a stock dividend or dividend equivalent on Restricted Shares or with respect to a Bonus Share Award shall be subject to the same restrictions as the underlying Award (and shall not be paid unless and until the underlying Award is vested), and all references to such Award shall be deemed to include such shares of Common Stock, dividend, dividend equivalent, or other securities.

(iv) Additional Terms and Conditions. Each Restricted Share and Bonus Share granted or offered for sale hereunder shall be subject to such additional terms and conditions not inconsistent with the Plan as are prescribed by the Compensation Committee and set forth in the applicable Agreement.

(c) Unvested Restricted Shares. Unless otherwise determined by the Compensation Committee in its sole discretion, upon termination of a Participant's employment or service with the Company and its Subsidiaries, all Restricted Shares granted or sold to such Participant that have not theretofore vested (and that do not vest by reason of such termination of employment as may be provided in an Agreement or as determined by the Committee) shall terminate and be canceled without any payment therefor.

**10. Stock Appreciation Rights.**

Stock Appreciation Rights may be granted to Participants either alone ("freestanding") or in addition to or in tandem with other Awards granted under the Plan and may, but need not, relate to a specific Option granted hereunder. The provisions of Stock Appreciation Rights need not be the same with respect to each grant or each recipient. Any Stock Appreciation Right granted in tandem with an Option may be granted at the same time such Option is granted or at any time thereafter before exercise or expiration of such Option. All Stock Appreciation Rights granted under the Plan shall be granted subject to the same terms and conditions applicable to Nonqualified Stock Options as set forth in Section 8(a); provided, however, that Stock Appreciation Rights granted in tandem with a previously granted Option shall have the terms and conditions as such Option. Subject to the provisions of Section 8, the Compensation Committee may impose such other conditions or restrictions on any Stock Appreciation Right as it shall deem appropriate. Stock Appreciation Rights may be settled in Common Stock or cash as determined by the Compensation Committee in its sole discretion. Subject to earlier termination in

accordance with the terms of the Plan and the instrument evidencing the Stock Appreciation Right, the maximum term of a Stock Appreciation Right shall be as established by the Compensation Committee but in no event shall be greater than ten years from the Date of Grant.

#### 11. **Stock Units.**

The Compensation Committee may also grant Awards of Stock Units under the Plan. A Stock Unit is an Award that is valued by reference to a Share (or multiple or partial Shares), which value may be paid to the Participant in Shares or cash as determined by the Committee in its sole discretion upon the satisfaction of vesting restrictions as the Committee may establish, which restrictions may lapse separately or in combination at such time or times, in installments or otherwise, as the Committee may deem appropriate. With respect to each grant of Stock Units, the Compensation Committee shall determine in its sole discretion the period or periods, including any conditions for determining such period or periods, during which any restrictions on full vesting shall apply (the "Unit Restriction Period"). The Compensation Committee may also make any Award of Stock Units subject to the satisfaction of other conditions, including the attainment of performance goals, or contingencies ("Unit Vesting Condition"), in order for a Participant to receive payment of such Stock Unit Award, which shall be established by the Compensation Committee at the Date of Grant thereof. The Compensation Committee may specify that the grant, vesting, or retention of any or all Stock Units shall be a measure based on one or more Qualifying Performance Criteria selected by the Compensation Committee and specified at the Date of Grant thereof. If required by Code Section 162(m), the Compensation Committee shall certify the extent to which any Qualifying Performance Criteria have been satisfied, and the amount payable as a result thereof, prior to payment of any Stock Units that are intended to satisfy the requirements for "performance-based compensation" under Code Section 162(m). Awards of Stock Units shall be payable in Common Stock or cash as determined by the Compensation Committee in its sole discretion. The Compensation Committee may permit a Participant to elect to defer receipt of payment of all or part of any Award of Stock Units pursuant to rules and regulations adopted by the Compensation Committee. Unless the Compensation Committee provides otherwise at the Date of Grant of an Award of Stock Units, the provisions of Section 9 of this Plan relating to the vesting of Restricted Shares shall apply during the Unit Restriction Period or prior to the satisfaction of any Unit Vesting Condition for such Award.

#### 12. **Performance Shares and Performance Compensation.**

(a) The Compensation Committee may grant Awards of Performance Shares and designate the Participants to whom Performance Shares are to be awarded and determine the number of Performance Shares, the length of the performance period and the other terms and conditions of each such Award. An Award of Performance Shares shall mean a grant of a unit valued by reference to a designated number of Shares, or a unit valued by reference to a designated amount of cash or property other than Shares, in either case which value may be paid to the Participant upon the attainment of performance goals (which may be Qualifying Performance Criteria) and other terms and conditions, and which may be paid in Shares or cash, each as determined and specified by the Compensation Committee. Notwithstanding satisfaction of any performance goals, the number of shares issued under an Award of Performance Shares may be adjusted on the basis of such further considerations as the Compensation Committee shall determine, in its sole discretion, and subject to the requirements of Code Section 162(m), as applicable. However, the Compensation Committee may not, in any event, increase the number of shares earned upon satisfaction of any performance goal by any Participant subject to Code Section 162(m) to the extent such Section is applicable. The Compensation Committee, in its sole discretion, may make a cash payment equal to the Fair Market Value of the Common Stock otherwise required to be issued to a Participant pursuant to an Award of Performance Shares.

(b) The Compensation Committee may grant Awards in the form of a cash bonus to any Participant and designate such Award as Performance Compensation in order to qualify such Award as "performance-based compensation" under Code Section 162(m).

#### 13. **Other Stock-Based Awards.**

In addition to the Awards described in Sections 8 through 12, and subject to the terms of the Plan, the Compensation Committee may grant other Awards payable in shares of Common Stock under the Plan as it determines to be in the best interests of the Company and subject to such other terms and conditions as it deems appropriate.

#### 14. **Performance-Based Awards.**

(a) **Qualifying Performance Criteria.** Awards of Options, Restricted Shares, Stock Units, Performance Shares, Bonus Shares, Performance Compensation and other Awards made pursuant to the Plan may be made subject to the attainment of performance goals relating to one or more business criteria. For purposes of the Plan, such business criteria shall mean any one or more of the following performance criteria, either individually, alternatively or in any combination: (a) cash flow; (b) earnings (including, without limitation, gross margin, earnings before interest and taxes, earnings before taxes, earnings before interest, taxes, depreciation and amortization, and net earnings); (c) earnings per share; (d) growth in earnings or earnings per share; (e) stock price; (f) return on equity or average stockholders' equity; (g) total stockholder return; (h) return on capital; (i) return on assets or net assets; (j) return on investment; (k) sales, growth in sales or return on sales; (l) income or net income; (m) operating income or net operating income; (n) operating profit or net operating profit; (o) operating margin; (p) return on operating revenue; (q) economic profit, (r) market share; (s) overhead or other expense reduction; (t) growth in stockholder value relative to various indices, including, without limitation, the S&P 500 Index or the Russell 2000 Index, (u) strategic plan development and implementation, (v) net debt, and (w) working capital (including components thereof) (collectively, the "**Qualifying Performance Criteria**"). To the extent required by or consistent with Code Section 162(m), the Compensation Committee may provide for the exclusion of the impact of an event or occurrence which the Compensation Committee determines should appropriately be excluded, including: (z) asset write-downs or write-ups, (aa) litigation, claims, judgments or settlements, (bb) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results, (cc) accruals for reorganization and restructuring programs, (dd) any extraordinary, unusual, infrequently occurring or non-recurring event, under applicable accounting provisions or in management's discussion and analysis of financial condition and results of operations appearing in the Company's Annual Report to stockholders for the applicable year, and (ee) any other events as the Compensation Committee shall deem appropriate, if such adjustment is timely approved in connection with the establishment of Qualifying Performance Criteria. Such performance goals (and any exclusions) shall (i) be set by the Compensation Committee prior to the earlier of (i) 90 days after the commencement of the applicable performance period and the expiration of 25% of the performance period, and (ii) otherwise comply with the requirements of, Section 162(m) of the Code and the regulations thereunder.

(b) Any Qualifying Performance Criteria may be used to measure the performance of the Company as a whole or with respect to any business unit, subsidiary or business segment of the Company, either individually, alternatively or in any combination, and may be measured either annually or cumulatively over a period of years, on an absolute basis or relative to a pre-established target, to previous period results or to a designated comparison group, in each case as specified by the Compensation Committee in the Award. Any performance goals that are financial metrics may be determined in accordance with U.S. Generally Accepted Accounting Principles ("**GAAP**"), in accordance with accounting principles established by the International Accounting Standards Board ("**IASB Principles**"), or may be adjusted when established to include or exclude any items otherwise includable or excludable under GAAP or under IASB Principles. To the extent required by Code Section 162(m), prior to the payment of any compensation under an Award intended to qualify as "performance-based compensation" under Code Section 162(m), the Compensation Committee shall certify the extent to which any such Qualifying Performance Criteria and any other material terms under such Award have been satisfied (other than in cases where such relate solely to the increase in the value of the Common Stock). To the extent Code Section 162(m) is applicable, the Compensation Committee may not in any event increase the amount of compensation payable to a Participant subject to Code Section 162(m) upon the satisfaction of any Qualifying Performance Criteria.

(c) To the extent an Award is intended to qualify under Code Section 162(m), any language in the Award agreement, Compensation Committee resolutions, or other agreements and actions in connection with the Award, to the extent inconsistent with Section 162(m) shall be deemed interpreted and modified to the minimum extent necessary so that such Awards are compliant with Code Section 162(m).

**15. Certain Forfeitures.**

In the event a Participant or former Participant engages in a business or enterprise (other than the Company and its direct or indirect Subsidiaries and other Affiliates) in connection with a Competitive Product or Service or in Wrongful Solicitation while in the employ of the Company or a Subsidiary, or during the period of 13 months immediately following termination of such employment, the following rules shall apply:

(a) all Awards then held by the Participant (whether vested or not) shall be forthwith forfeited without payment or other compensation of any kind; provided, however, that the Company shall remit to the Participant the lesser of (i) the amount (if any) such Participant paid for forfeited Awards and (ii) in the case of Restricted Shares or Performance Shares, the Fair Market Value of such Restricted Shares as of the date of termination;

(b) notwithstanding subclause (a), in the event Vested Restricted Shares or vested Performance Shares were disposed of (for or without receipt of value) during the period commencing one year prior to the initial engagement in a business or enterprise (other than the Company and its direct or indirect Subsidiaries and other Affiliates) in connection with a Competitive Product or Service or in Wrongful Solicitation through the 13-month anniversary of the Participant's termination of employment with the Company or a Subsidiary, then, upon written demand by the Company, the Participant or former Participant, as the case may be, shall forthwith remit to the Company the Fair Market Value of such Vested Restricted Shares or vested Performance Shares, as determined on the date of disposition, less the amount (if any) paid by the Participant for such shares; and

(c) in the event Option Shares, Shares obtained pursuant to the exercise of a Stock Appreciation Right or other Shares obtained pursuant to Awards under the Plan (and not described in subparagraph (b)) were disposed of (for or without receipt of value) during the period commencing one year prior to the initial engagement in a business or enterprise (other than the Company and its direct or indirect Subsidiaries and other Affiliates) in connection with a Competitive Product or Service or in Wrongful Solicitation through the 13-month anniversary of the Participant's termination of employment with the Company or a Subsidiary, then, upon written demand by the Company, the Participant or former Participant, as the case may be, shall forthwith remit to the Company the Fair Market Value of such Shares, as determined on the date of disposition, less the Option Price or other amount (if any) paid therefor.

**16. Effect of Certain Corporate Changes and Changes in Control.**

(a) Dilution and Other Adjustments. In the event of any merger, reorganization, consolidation, recapitalization, dividend or distribution (whether in cash, shares or other property, other than a regular cash dividend), stock split, reverse stock split, spin-off or similar transaction or other change in corporate structure affecting the Shares or the value thereof, such adjustments and other substitutions shall be made to the Plan and to Awards in a manner the Compensation Committee deems equitable or appropriate taking into consideration the accounting and tax consequences, including such adjustments in the aggregate number, class and kind of securities that may be delivered under the Plan, the limitations in Section 4 (other than to Awards denominated in cash), the maximum number of Shares that may be issued pursuant to Incentive Stock Options and, in the aggregate or to any Participant, in the number, class, kind and option or exercise price of securities subject to outstanding Awards granted under the Plan (including, if the Compensation Committee deems appropriate, the substitution of similar options to purchase the shares of, or other awards denominated in the shares of, another company); provided,

however, that the number of Shares subject to any Award shall always be rounded down to a whole number. No fractional shares of Common Stock shall be issued or delivered pursuant to the Plan. The Compensation Committee shall determine whether cash, additional Awards or other securities or property shall be issued or paid in lieu of fractional shares of Common Stock or whether any fractional shares should be rounded, forfeited or otherwise eliminated.

(b) Change in Control. Unless otherwise provided by the Committee either by the terms of the Award Agreement applicable to any Award or by resolution adopted prior to the occurrence of a Change in Control, (i) in the event of a Change in Control, upon and subject to the consummation of such Change in Control, all Awards shall be assumed and continued or an equivalent award substituted by the Company's successor or a parent or subsidiary of such successor (provided, however, that performance-based Awards shall be subject to the terms of the individual Award Agreement); and in the event a Participant terminates employment for Good Reason, or is terminated by the Company without Cause on or within two years after a Change in Control described in this subsection (i), Awards not previously vested shall immediately become vested; or (ii) in the event of a Change in Control where the successor (or parent or subsidiary thereof) does not assume, continue or substitute the outstanding Awards, then subject to the consummation of the Change in Control, all Awards shall accelerate and vest in full (with performance-based Awards subject to the terms of the individual Award Agreements), and all Awards shall be cancelled in exchange for a payment in cash in an amount based on the Fair Market Value of the shares of Common Stock subject to the Award, less any Option Price, which amount may be zero if applicable.

#### 17. Miscellaneous.

(a) No Rights to Grants or Continued Employment or Engagement. No Participant shall have any claim or right to receive grants of Awards under the Plan, even if Awards have been granted to Participant in the past. Awards should not be construed or interpreted in any way as a component of a Participant's base salary for services performed on behalf of the Company or any Subsidiary or other Affiliate thereof, and employees of the Company or any Subsidiary or other Affiliate thereof are not required, as a condition of their employment, to accept any Awards. Neither the Plan nor any action taken or omitted to be taken hereunder shall be deemed to create or confer on any Participant any right to be retained in the employ or as a director of the Company or any Subsidiary or other Affiliate thereof, or to interfere with or to limit in any way the right of the Company or any Subsidiary or other Affiliate thereof to terminate the employment or other retention of such Participant at any time.

(b) Right of Company to Assign Rights and Delegate Duties. The Company shall have the right to assign any of its rights and delegate any of its duties hereunder to any of its Affiliates. The terms and conditions of any Award under the Plan shall be binding upon and shall inure to the benefit of the personal representatives, heirs, legatees, and permitted successors and assigns of the relevant Participant and the Company.

(c) Tax Withholding. The Company and its Subsidiaries may require the Participant to pay to the Company the amount of any taxes that the Company is required by applicable federal, state, local or other law to withhold with respect to the grant, vesting, or exercise of an Award. The Company shall not be required to issue any shares of Common Stock under the Plan until such obligations are satisfied in full. The Compensation Committee may in its sole discretion permit or require a Participant to satisfy all or part of such Participant's tax withholding obligations by (1) paying cash to the Company, (2) having the Company withhold a number of shares of Common Stock that would otherwise be issued to the Participant (or become vested in the case of Restricted Shares), having a Fair Market Value equal to the tax withholding obligations, (3) surrendering a number of shares of Common Stock the Participant already owns, having a Fair Market Value equal to the tax withholding obligations, or (4) entering into such other arrangement as is acceptable to the Compensation Committee in its sole discretion. The value of any shares withheld or surrendered may not exceed the maximum amount of tax permitted to be withheld that will not result in adverse financial accounting consequences to the Company (and otherwise shall comply with Company policy, subject to the discretion of the Compensation Committee). The Company and its

Subsidiaries shall also have the right to deduct from any and all cash payments otherwise owed to a Participant any federal, state, local or other taxes required to be withheld with respect to the Participant's participation in the Plan.

(d) No Restriction on Right of Company to Effect Corporate Changes. The Plan shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of stock or of options, warrants or rights to purchase stock or of bonds, debentures, preferred or prior preference stocks whose rights are superior to or affect the Common Stock or the rights thereof or that are convertible into or exchangeable for Common Stock, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

(e) 1934 Act. Notwithstanding anything contained in the Plan or any Agreement to the contrary, if the consummation of any transaction under the Plan would result in the possible imposition of liability on a Participant pursuant to Section 16(b) of the 1934 Act, the Compensation Committee shall have the right, in its sole discretion, but shall not be obligated, to defer such transaction to the extent necessary to avoid such liability.

(f) Securities Laws. Notwithstanding any other provision of the Plan, the Company shall have no obligation to issue or deliver any shares of Common Stock under the Plan or make any other distribution of benefits under the Plan unless, in the judgment of the Compensation Committee, such issuance, delivery or distribution would comply with all applicable laws (including, without limitation, the requirements of the 1933 Act and 1934 Act or the laws of any state or foreign jurisdiction) and the applicable requirements of any securities exchange or similar entity.

(g) Severability. If any provision of the Plan or any Award is determined to be invalid, illegal or unenforceable in any jurisdiction, or as to any Person, or would disqualify the Plan or any Award under any law deemed applicable by the Compensation Committee, such provision shall be construed or deemed amended to conform to applicable laws, or, if it cannot be so construed or deemed amended without, in the Compensation Committee's determination, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, person or Award, and the remainder of the Plan and any such Award shall remain in full force and effect.

(h) Dividend Equivalents. Subject to the provisions of the Plan and any Award Agreement, the recipient of an Award other than an Option or Stock Appreciation Right may, if so determined by the Compensation Committee, be entitled to receive, currently or on a deferred basis, amounts equivalent to cash, stock or other property dividends on Shares ("Dividend Equivalents") with respect to the number of Shares covered by the Award, as determined by the Compensation Committee, in its sole discretion. The Committee may provide that the Dividend Equivalents (if any) shall be deemed to have been reinvested in additional Shares or otherwise reinvested. Notwithstanding the foregoing, Dividend Equivalents shall be subject to restrictions and risk of forfeiture to the same extent as the underlying Award and shall not be paid until and unless the underlying Award vests.

(i) Foreign Employees and Consultants. Awards may be granted to Participants who are foreign nationals or employed or providing services outside the United States, or both, on such terms and conditions different from those applicable to Awards to employees or consultants providing services in the United States as may, in the judgment of the Compensation Committee, be necessary or desirable in order to recognize differences in local law or tax policy. The Compensation Committee also may impose conditions on the exercise or vesting of Awards in order to minimize the Company's obligation with respect to tax equalization for employees or consultants on assignments outside their home country.

(j) Recoupment. By accepting an Award hereunder, the Participant acknowledges that the Award (and any Shares subject to such Award) is subject to the terms and conditions of the Company's

clawback/recoupment policy, as it may be amended from time to time. Further, this provision also applies to any policy adopted by any exchange on which the securities of the Company are listed pursuant to Section 10D of the 1934 Act. To the extent any such policy requires the repayment of incentive-based compensation received by a Participant, whether paid pursuant to an Award granted under this Plan or any other plan of incentive-based compensation maintained in the past or adopted in the future by the Company, by accepting an Award under this Plan, the Participant agrees to the repayment of such amounts to the extent required by such policy and applicable law.

(k) Prohibition on Repricing. As provided in Section 18 below, other than pursuant to Section 16(a), the Compensation Committee shall not without the approval of the Company's stockholders (a) lower the option price per Share of an Option (or base price of a stock appreciation right) after it is granted, (b) cancel an Option or Stock Appreciation Right when the exercise price per Share exceeds the Fair Market Value of one Share in exchange for cash or another Award (other than in connection with a Change in Control), or (c) take any other action with respect to an Option or Stock Appreciation Right that would be treated as a repricing under the rules and regulations of the principal U.S. national securities exchange on which the Shares are listed.

#### 18. Amendment.

The Board of Directors may at any time and from time to time alter, amend, suspend, or terminate the Plan in whole or in part. No termination or amendment of the Plan may, without the consent of the Participant to whom any Awards shall previously have been granted, adversely affect the rights of such Participant in such Awards. In addition, no amendment of the Plan shall, without the approval of the stockholders of the Company:

(a) change the class of individuals eligible for awards under the Plan;

(b) increase the maximum number of shares of Common Stock for which Awards may be granted under this Plan;

(c) reduce the price at which Options may be granted below the price provided for in Section 8(a) hereof;

(d) reduce the Option Price of outstanding Options;

(e) cancel an Option or Stock Appreciation Right in exchange for cash when the exercise or grant price per share exceeds the Fair Market Value of one share of Common Stock or take any action with respect to an Option or Stock Appreciation Right that would be treated as a repricing under the rules and regulations of the principal securities exchange on which the Common Stock is traded; or

(f) extend the term of this Plan.

#### 19. Termination of the Plan.

The Plan shall continue until terminated by the Board of Directors pursuant to Section 18 or as otherwise set forth in this Plan, and no further Awards shall be made hereunder after the date of such termination. Unless earlier terminated, the Plan shall terminate ten (10) years after the Effective Date, except that no incentive stock option may be granted after the 10<sup>th</sup> anniversary of the date the Board approves the Plan (provided the awards granted before the Plan's expiration date shall continue in accordance with their terms).

#### 20. Conditions to Issuance of Shares.

(a) The Company shall be under no obligation to any Participant to register for offering or resale or to qualify for exemption under the 1933 Act, or to register or qualify under the laws of any state or foreign jurisdiction, any shares of Common Stock, security or interest in a security paid or issued under, or created by, the Plan, or to continue in effect any such registrations or qualifications if made. The

Company may issue certificates for shares with such legends and subject to such restrictions on transfer and stop-transfer instructions as the Compensation Committee deems necessary or desirable for compliance by the Company with federal, state, and foreign securities laws. The Company may also require such other action or agreement by the Participants as may from time to time be necessary to comply with applicable securities laws.

(b) To the extent the Plan or any instrument evidencing an Award provides for issuance of stock certificates to reflect the issuance of shares of Common Stock, the issuance may be effected on a noncertificated basis, to the extent not prohibited by applicable law or the applicable rules of any stock exchange.

**21. Headings; Number; Gender.**

The headings of sections and subsections herein are included solely for convenience of reference and shall not affect the meaning of any of the provisions of the Plan.

Words used herein in the singular form shall be construed as being used in the plural form, as appropriate in the relevant context, and vice versa. Pronouns used herein of one gender shall be construed as referring to either or both genders, as appropriate in the relevant context.

**22. Limited Waiver.**

The waiver by the Company of any of its rights under the Plan with respect to any Participant, whether express or implied, shall not operate or be construed as a waiver of any other rights the Company has with respect to such Participant or of any of its rights with respect to any other Participant.

**23. Governing Law.**

The Plan and all rights hereunder shall be governed by and construed in accordance with the laws of the State of Delaware without reference to rules relating to conflicts of law.

**24. Compliance with Code Section 409A.**

(a) This Plan is intended to comply and shall be administered in a manner that is intended to comply with Code Section 409A and shall be construed and interpreted in accordance with such intent. To the extent that an Award or the payment, settlement, or deferral thereof is subject to Code Section 409A, the Award shall be granted, paid, settled, or deferred in a manner that will comply with Code Section 409A, including regulations or other guidance issued with respect thereto, except as otherwise determined by the Compensation Committee. Any provision of this Plan that would cause the grant of an Award or the payment, settlement, or deferral thereof to fail to satisfy Code Section 409A shall be amended to comply with Code Section 409A on a timely basis, which may be made on a retroactive basis, in accordance with regulations and other guidance issued under Code Section 409A.

(b) Notwithstanding anything in the Plan to the contrary, the receipt of any benefits under this Plan as a result of a termination of employment shall be subject to satisfaction of the condition precedent that the Participant undergo a "separation from service" within the meaning of Treas. Reg. § 1.409A-1(h) or any successor thereto. In addition, if a Participant is deemed to be a "specified employee" within the meaning of that term under Code Section 409A(a)(2)(B), then with regard to any payment or the provisions of any benefit that is required to be delayed pursuant to Code Section 409A(a)(2)(B), such payment or benefit shall not be made or provided prior to the earlier of (i) the expiration of the six month period measured from the date of the Participant's "separation from service" (as such term is defined in Treas. Reg. § 1.409A-1(h)), or (ii) the date of the Participant's death (the "Delay Period"). Within ten (10) days following the expiration of the Delay Period, all payments and benefits delayed pursuant to this Section (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to the Participant in a lump sum, and any remaining payments and benefits due under this Plan shall be paid or provided in accordance with the normal



payment dates specified for them herein. Furthermore, the payments to be made to a Participant in accordance with this Plan shall be treated as a right to a series of separate payments pursuant to Section 409A of the Code.

25. **Effective Date.**

The Plan shall become effective (the "Effective Date") upon approval by the stockholders of the Company.

**ENERSYS****AWARD AGREEMENT FOR NON-EMPLOYEE DIRECTORS  
DEFERRED STOCK UNITS****AMENDED AND RESTATED 2017 EQUITY INCENTIVE PLAN**

**THIS AWARD AGREEMENT FOR NON-EMPLOYEE DIRECTORS –DSUs** (this “Award Agreement”) is made as of \_\_\_\_\_ (the “Grant Date”) between EnerSys, a Delaware corporation (the “Company”), and the individual identified on the signature page hereof (the “Director”).

**WHEREAS**, the Director is currently a non-employee director of the Company and, pursuant to the EnerSys Amended and Restated 2017 Equity Incentive Plan (the “Plan”) and upon the terms and subject to the conditions hereinafter set forth, the Company desires to provide the Participant with an incentive to increase the Director’s interest in the success of the Company through the granting to the Director of deferred stock units (“DSUs”).

1. **Grant of Deferred Stock Units.** Subject to the provisions of this Award Agreement and pursuant to the provisions of the Plan, the Company hereby grants to the Director the number of DSUs specified on the signature page hereof.

2. **Terms Subject to the Plan.** This Award Agreement is subject to, and governed by, the provisions of the Plan and unless the context requires otherwise, terms used herein shall have the same meaning as in the Plan. In the event of a conflict between or among the provisions of the Plan and this Award Agreement, the Plan shall control.

1. **DSU Account.**

- a. The Company shall credit to a bookkeeping account (the “Account”) maintained by the Company, or a third party on behalf of the Company, for the Director’s benefit the DSUs, each of which shall be deemed to be the equivalent of one share of the Company’s common stock, par value \$.01 per share (each, a “Share”).
- b. Whenever any cash dividends are declared on the Shares, on the date such dividend is paid, the Company will credit to the Account a number of additional DSUs equal to the result of dividing (i) the product of the total number of DSUs credited to the Account on the record date for such dividend and the per Share amount of such dividend by (ii) the Fair Market Value of one Share on the date such dividend is paid by the Company to the holders of Shares.
- c. Whenever any dividends or distributions are declared on the Shares in the form of additional Shares, or there occurs a forward split of Shares, then a number of additional DSUs shall be credited to the Account as of the payment date for such dividend or distribution or forward split equal to (i) the number of DSUs credited to the Account as of the record date for such dividend or distribution or split,

multiplied by (ii) the number of additional Shares actually paid as a dividend or distribution or issued in such split in respect of each outstanding Share.

d. Any additional DSUs credited under Sections 3(b) and (c) shall be or become vested to the same extent as the underlying DSUs and be settled and distributed on the same date as the underlying DSUs.

2. **Vesting.** The Director's rights with respect to the DSUs granted hereunder shall be 100% vested at all times.

3. **Forfeiture and Clawback.** If, at any time prior to the first anniversary of when the Director ceases service as a director of the Company for any reason, the Director engages in any activity in competition with any activity of the Company, or inimical, contrary or harmful to the interests of the Company, including, but not limited to: (i) conduct related to the Director's service as a director of the Company for which either criminal or civil penalties against the Director may be sought, (ii) material violation of the Company's policies, or (iii) disclosure or misuse of any confidential information or material concerning the Company, then (A) the DSUs shall be forfeited effective as of the date on which the Director enters into such activity, and (B) the Director shall within ten (10) days after written notice from the Company return to the Company the Shares paid by the Company to the Director with respect to the DSUs and, if the Director has previously sold all or a portion of the Shares paid to the Director by the Company, the Director shall pay the proceeds of such sale to the Company. The DSUs and any Shares paid pursuant to DSUs shall be subject to the terms of the clawback policy adopted by the Board of Directors (as such policy may be amended from time-to-time).

4. **Payment of DSUs.** Payment of the Director's Account shall be made as elected on the signature page hereof, or if no election is made, in one lump sum on the Payment Date(s) (as elected on the signature page herof), or, if no election is made, the Payment Date shall be the date that is six (6) months following the date of the Director's "separation from service" (within the meaning of Treas. Reg. § 1.409A-1(h)). If the New York Stock Exchange (or any successor exchange or stock market on which shares of the Company's common stock are traded) is not open on the Payment Date, then payment shall be made on the next day the New York Stock Exchange (or any successor exchange or stock market on which shares of the Company's common stock are traded) is open.

5. **Form of Payment.** Payments pursuant to Section 6 shall be made in Shares equal to the number of DSUs credited to the Account.

6. **Change in Control (Cash).** Notwithstanding the foregoing provisions of Section 6 and 7, in the event of a Change in Control where the holders of Shares receive cash consideration for their Shares in consummation of the Change in Control, the Payment Date shall be the date of such Change in Control and payment shall be in a single cash lump sum equal to the number of DSUs credited to the Account times the cash consideration received for a Share.

7. **Beneficiary.** In the event of the Director's death prior to payment of the DSUs credited to the Account, payment shall be made to the last beneficiary designated in writing that

is received by the Company prior to the Director's death or, if no designated beneficiary survives the Director, such payment shall be made to the Director's estate.

8. **Source of Payments.** The Director's right to receive payment under this Award Agreement shall be an unfunded entitlement and shall be an unsecured claim against the general assets of the Company. The Director has only the status of a general unsecured creditor hereunder, and this Award Agreement constitutes only a promise by the Company to pay the value of the Account on the Payment Date.

9. **Nontransferability.** Except as permitted by the Plan, this Award Agreement shall not be assignable or transferable by the Director or by the Company (other than to successors of the Company) and no amounts payable under this Award Agreement, or any rights therein, shall be subject in any manner to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, levy, lien, attachment, garnishment, debt or other charge or disposition of any kind.

10. **No Guarantee of Membership.** The award of DSUs by the Company under this Award Agreement to the Director shall not be deemed to be a contract between the Company and the Director to retain his or her position as a director of the Company.

11. **Taxes.** The Director shall be solely responsible for all applicable income and self-employment taxes and other wage deductions incurred in connection with the vesting and settlement of the DSUs subject to this Award Agreement. Unless required to do so by applicable law, the Company and its affiliates shall not pay or withhold any Federal, state, local, foreign or other taxes of any kind with respect thereto. Neither the Company nor any of its affiliates shall have any obligation to indemnify or otherwise hold the Director harmless from any or all such taxes.

12. **Notices.** All notices required or permitted under this Award Agreement shall be in writing and shall be delivered personally or by mailing the same by registered or certified mail postage prepaid, to the other party. Notice given by mail shall be deemed delivered at the time and on the date the same is postmarked.

Notices to the Company should be addressed to:

EnerSys  
2366 Bernville Rd.  
Reading, PA 19605  
Attention: General Counsel

Notices to the Director should be addressed to the Director at the Director's address as it appears on the Company's records. The Company or the Director may by writing to the other party, designate a different address for notices.

13. **Successors and Assigns.** This Award Agreement shall inure to the benefit of and be binding upon the heirs, legatees, distributees, executors and administrators of the Director and the successors and assigns of the Company.

14. **Governing Law.** This Award Agreement shall be governed by, and interpreted in accordance with, the laws of the Commonwealth of Pennsylvania, other than its conflicts of laws principles.

15. **Entire Agreement; Modification.** This Award Agreement and the Plan constitute the entire agreement between the parties relative to the subject matter hereof, and supersede all proposals, written or oral, and all other communications between the parties relating to the subject matter of this Award Agreement. This Award Agreement may be modified, amended or rescinded only by a written agreement executed by both parties.

16. **Severability.** The invalidity, illegality or unenforceability of any provision of this Award Agreement shall in no way affect the validity, legality or enforceability of any other provision.

**IN WITNESS WHEREOF**, this Award Agreement has been executed by the Company and the Director, effective as of the date on the first page of this Award Agreement.

**ENERSYS**

By: \_\_\_\_\_  
David M. Shaffer President & Chief Executive Officer

\_\_\_\_\_, **Director**

Date of Grant:

Number of DSUs: \_\_\_\_\_

Payment Date(s):

\_\_\_\_ I elect to commence to receive payment of my Director Account on the \_\_\_\_\_ anniversary of my “separation from service” (within the meaning of Treas. Reg. § 1.409A-1(h)) as a Director. **[NOTE: In no event can the election be for a period that is less than six (6) months after “separation from**

**service”. If no election is made, payment will commence on the date that is six (6) months following the date of the Director’s “separation from service”.]**

\_\_\_ I elect to receive payment of my Director Account in the form of:

\_\_\_ a lump sum payment.

\_\_\_ annual installments over \_\_\_ years with each installment paid on the anniversary of my separation from service as a Director.

**EMPLOYEE STOCK OPTION AGREEMENT  
(3 Year Vesting Schedule)**

**AMENDED AND RESTATED 2017 EQUITY INCENTIVE PLAN**

THIS EMPLOYEE STOCK OPTION AGREEMENT (this "Agreement"), dated as of \_\_\_\_\_, \_\_\_\_\_, is between ENERSYS, a Delaware corporation (the "Company"), and the individual identified on the signature page hereof (the "Participant").

**BACKGROUND**

A. Participant is currently an employee of the Company or one of its Subsidiaries.

B. The Company desires to (i) provide Participant with an incentive to remain in the employ of the Company or one of its Subsidiaries, and (ii) increase Participant's interest in the success of the Company by granting to Participant nonqualified stock options (the "Options") to purchase shares of Common Stock ("Shares").

C. The grant of the Options is (i) made pursuant to the EnerSys Amended and Restated 2017 Equity Incentive Plan (the "Plan"); (ii) made subject to the terms and conditions of this Agreement and Appendix A; (iii) made in the sole discretion of the Company's Compensation Committee; and (iv) is exceptional, voluntary and occasional and does not create any contractual or other right to receive future Options, or benefits in lieu of Options, even if Options have been granted in the past. These Options shall not be construed or interpreted in anyway as a component of a Participant's base salary for services performed on the behalf of the Company, and Company employees are not required, as a condition of their employment, to accept any Options stated herein. Unless otherwise defined in this Agreement, any capitalized terms in this Agreement shall have the meaning ascribed to such terms in the Plan.

**AGREEMENT**

NOW, THEREFORE, in consideration of the covenants and agreements contained in this Agreement, the parties hereto, intending to be legally bound, agree as follows:

1. **Definitions; Incorporation of Plan Terms.** Capitalized terms used in this Agreement without definition shall have the meanings assigned to them in the Plan. This Agreement and the Options shall be subject to the Plan. The terms of the Plan and the Background provisions of this Agreement are hereby incorporated into this Agreement by reference and made a part hereof as if set forth in their entirety in this Section 1. If there is a conflict or an inconsistency between the Plan and this Agreement, the Plan shall govern; except that in the event such a conflict or inconsistency relates to the prohibitions in Section 5 of this Agreement, then the definitions in this Agreement shall control.

"Competitive Product or Service" means the design, manufacture, importing, development, distribution, marketing, or sale of:

(a) motive power batteries, chargers, products, and accessories (including, without limitation, batteries, chargers and accessories for industrial forklift trucks, other materials handling equipment, transportation applications, and other electric powered vehicles or machinery, as well as any software or technology related thereto), and each and every component thereof;

(b) reserve power batteries, chargers, products, and accessories (including, without limitation, standby batteries and power supply equipment for wireless and wireline telecommunications applications, such as central telephone exchanges, microwave relay stations, and switchgear and other instrumentation control systems and those used in utility industries, uninterruptible power supplies and other applications requiring stored energy solutions

including medical, aerospace and defense systems, and outdoor equipment enclosure solutions, as well as any software or technology related thereto), and each and every component thereof;

(c) stationary and DC power systems, battery management systems, power control systems, stored energy solutions, renewable energy power systems, energy pipelines, maintenance services, applications for computer and computer-controlled systems, specialty power applications, software monitoring and control systems, and any products, accessories, software, technology, consulting services and/or turnkey services relating thereto (including the design, engineering, installation or service thereof), including each and every component thereof; and/or

(d) any other product, service, software, or technology development of any kind or type that the Company or any of its Subsidiaries or Affiliates (i) now makes, designs, manufactures, imports, develops, distributes, markets, researches or sells, or (ii) makes, designs, manufactures, imports, develops, distributes, markets, researches or sells at any time during Participant's employment with the Company and/or any of its Subsidiaries, such as, for example, lithium-ion, nickel-zinc cells or batteries, enclosures or lithium products, including but not limited to those used in space, defense, medical, transportation, industrial, or other stored energy solution applications, and/or hydrogen fuel cells.

"Competitor" means Participant or any other person or organization engaged in (or about to become engaged in) research or development, production, marketing, leasing, selling, or servicing of a Competitive Product or Service.

"Confidential Information" means information that is created and used in the Company's business (or that of any of its Subsidiaries) and which is not generally known by the public, including but not limited to: trade secrets proprietary or customized software and databases; manufacturing processes and methods, product formulas, research and development; new product plans; the Company's confidential records (or those of any of its Subsidiaries) pertaining to its existing or potential customers, including key customer contact information, contract terms and related information; confidential business opportunities; merger or acquisition activity (including targets, opportunities, or prospects); confidential information regarding suppliers or vendors, including key supplier or vendor contact information, contract terms and related information; strategies for advertising and marketing; confidential business processes and strategies, including training, policies and procedures; personnel composition (wages, specialization, etc.); financial and revenue data and reports, including pricing, quoting and billing methods; and any other business information that the Company and/or any of its Subsidiaries maintain as confidential. Participant specifically understands and agrees that the term Confidential Information also includes all confidential information of a third party that may be communicated to, acquired by, learned of, or developed by Participant in the course of or as a result of Participant's employment with the Company and/or any of its Subsidiaries. Confidential Information does not include information that is or may become known to Participant or to the public from sources outside the Company and/or any of its Subsidiaries and through means other than a breach of this Agreement or disclosed by Participant after written approval from the Company.

"Customer" means any person(s) or entity(ies) that, within twenty-four (24) months prior to the Last Day (defined below), Participant, directly or Indirectly (e.g., through employees whom Participant supervised): (a) provided products or services in connection with the Company's business (or that of any of its Subsidiaries); and/or (b) provided written proposals concerning receiving products or services from the Company (and/or any of its Subsidiaries).

"Indirectly" means that Participant shall not assist others in performing business activities that Participant is prohibited from engaging in directly under this Agreement.

"Last Day" means Participant's last day of employment with the Company and/or Subsidiaries regardless of the reason for Participant's separation, including voluntary or involuntary. It does not encompass Participant's direct employment between Company Subsidiaries and/or affiliates. As set forth below, such movement shall be deemed as unbroken and as continued employment under this Agreement and these covenants.



“Restricted Geographic Area” means the territory (i.e.: (i) country(ies), (ii) state(s), (iii) county(ies), or (iv) city(ies)) in which, during the twenty-four (24) months prior to the Last Day, Participant: (a) provided services on behalf of the Company and/or any of its Subsidiaries (or in which Participant supervised, directly or Indirectly, the servicing activities), and/or (b) solicited Customers or otherwise sold products services on behalf of the Company (or in which Participant supervised, directly or Indirectly, the solicitation or servicing activities related to such Customers).

“Restricted Period” means the period of Participant’s employment with the Company and/or any of its Subsidiaries and a period twelve (12) months after the Last Day. Participant recognizes that this durational term is reasonably and narrowly tailored to the Company’s legitimate business interest and need for protection with each position Participant holds at the Company and/or any of its Subsidiaries.

“Trade Secret” means information defined as a trade secret under applicable state law or the Defend Trade Secrets Act of 2016.

“Wrongful Competition” means except as modified by the Wrongful Competition and/or Wrongful Solicitation Exceptions): During the Restricted Period and within the Restricted Geographic Area, Participant shall not, directly or Indirectly, perform the same or similar responsibilities Participant performed for the Company and/or any of its Subsidiaries during the twenty-four (24) months prior to the Last Day in connection with a Competitive Product or Service. Notwithstanding the foregoing, Participant may accept employment with a Competitor whose business is diversified, provided that: (a) Participant shall not be engaged in working on or providing Competitive Products or Services or otherwise use or disclose Confidential Information or Trade Secrets; and (b) the Company receives written assurances from the Competitor and Participant that are satisfactory to the Company that Participant shall not work on or provide Competitive Products or Services, or otherwise use or disclose Confidential Information or Trade Secrets. In addition, nothing in this Agreement is intended to prevent Participant from investing Participant’s funds in securities of a person engaged in a business that is directly competitive with the Company if the securities of such a person are listed for trading on a registered securities exchange or actively traded in an over-the-counter market and Participant’s holdings represent less than one percent (1%) of the total number of outstanding shares or principal amount of the securities of such a person.

“Wrongful Solicitation” means (except as modified by the Wrongful Competition and/or Wrongful Solicitation Exceptions):

i. With respect to the nonsolicitation and non-inducement of Customers: During the Restricted Period and in connection with a Competitive Product or Service, Participant shall not directly or Indirectly: (i) solicit or attempt to solicit any Customer; or (ii) induce or encourage any Customer to terminate a relationship with the Company and/or any of its Subsidiaries or otherwise to cease accepting services or products from the Company and/or any of its Subsidiaries; and/or

ii. With respect to the non-solicitation and noninducement of employees: During the Restricted Period, Participant shall not directly or Indirectly: (i) solicit, recruit, encourage (or attempt to solicit, recruit or encourage), or by assisting others in soliciting, recruiting or encouraging, any Company employees or former employees (or those of any of Company’s Subsidiaries) with whom Participant worked, had business contact, or about whom Participant gained non-public or Confidential Information (“Employees or Former Employees”); (ii) contact or communicate with Employees or Former Employees for the purpose of inducing, assisting, encouraging and/or facilitating them to terminate their employment with the Company and/or any of its Subsidiaries or find employment or work with another person or entity; (iii) provide or pass along to any person or entity the name, contact and/or background information about any Employees or Former Employees or provide references or any other information about them; (iv) provide or pass along to Employees or Former Employees any information regarding potential jobs or entities or persons for which to work, including but not limited to job openings, job postings, or the names or contact information of individuals or companies hiring people or

accepting job applications; and/or (v) offer employment or work to any Employees or Former Employees. For purposes of this covenant, "Former Employees" shall refer to employees who are not employed by the Company and/or any of its Subsidiaries at the time of the attempted recruiting or hiring, but were employed by or working for the Company and/or any of its Subsidiaries in the three (3) months prior to the time of the attempted recruiting or hiring and/or interference; and/or

iii. With respect to the non-interference of vendors and suppliers: During the Restricted Period, Participant shall not directly or Indirectly interfere with the Company's relationships (or that of any of its Subsidiaries) with its vendors or suppliers in any way that would impair the Company's relationship (or that of any of its Subsidiaries) with such vendors or suppliers, including by reducing, diminishing or otherwise restricting the flow of supplies, services or goods from the vendors or suppliers to the Company and/or any of its Subsidiaries.

"Wrongful Competition and/or Wrongful Solicitation Exceptions" mean:

(a) State of Washington Exceptions. If any Participant is employed in the State of Washington: (a) all references to "the Company" shall be replaced with "Employer"; and (b) any section in this Agreement that is determined to be a non-competition covenant under Washington law for Washington-based employees is only effective and enforceable once Participant earns more than the annual statutory compensation minimum, on an annualized basis, for the enforcement of non-competition covenants as found in Title 49 RCW. Participant further agrees that all terms of this Agreement that are determined to be non-solicitation agreements under applicable Washington law shall be enforceable regardless of how much Participant earns in compensation. The annual statutory compensation minimum for the enforcement of non-competition covenants shall not affect the enforceability of any other term of this Agreement. Further, Participant acknowledges and agrees that no term of this Agreement shall be deemed a non-competition covenant if this Agreement is entered into by a person purchasing or selling the goodwill of a business or otherwise acquiring or disposing of an ownership interest.

(b) This definition of "Restricted Geographic Area" is amended for any Washington-based Participant:

**"Restricted Geographic Area"** means the territory in which, during the twenty-four (24) months prior to the Last Day, Participant: (a) provided services on behalf of the Company and/or any of its Subsidiaries (or in which Participant supervised the servicing activities), and/or (b) solicited Customers or otherwise sold products or services on behalf of the Company (or in which Participant supervised the solicitation or servicing activities related to such Customers).

(c) General Exceptions. Participant understands that Participant's non-compete and/or non-solicitation obligations in this Agreement shall not apply to Participant if Participant is covered under applicable state or local law prohibiting non-competes or non-solicits, including on the basis of Participant's income at the time of enforcement. Examples of such prohibitions include, but are not limited to: California (Wrongful Competition and Wrongful Solicitation), the District of Columbia (Wrongful Competition), Illinois (low wage), Maryland (low wage), Oklahoma (wrongful competition), North Dakota (Wrongful Competition and Wrongful Solicitation), Rhode Island (low wage), and Virginia (low wage).

2. **Restrictions on Transfer.** Except as otherwise expressly provided in the Plan, none of the Options may be sold, transferred, assigned, pledged, or otherwise encumbered or disposed of (or made the subject of a derivative transaction) to or with any third party otherwise than by will or the laws of descent and distribution and the Options shall be exercisable during Participant's lifetime only by Participant.

3. **Grant of Options.** Participant is awarded the number of Options specified on the signature page hereof, at the Option Price indicated thereon. The Options are not intended to qualify as incentive stock options under Section 422 of the Code. Each Option shall entitle Participant to purchase, upon payment of the applicable Option Price in any manner provided by the Plan, one Share. The Shares issuable upon exercise of the Options are from time to time referred to herein as the "Option Shares." For purposes of the Plan and this Agreement, the Date of Grant shall be as indicated on the signature page hereof. The Options shall be exercisable as provided in this Agreement.

4. **Terms and Conditions of Options.** The Options evidenced by this Agreement are subject to the following terms and conditions:

(i)**Vesting.** The Options shall vest and become exercisable as follows: one-third (1/3) of the Options shall vest and become exercisable on each of the first three anniversaries of the Date of Grant (each such one-third (1/3) of the Options which vest on each such anniversary shall be referred to herein as a "Tranche" and each such anniversary a Vesting Date) unless previously vested or forfeited in accordance with the Plan or this Agreement; provided, however, that to the extent then unvested, the Options shall immediately become vested and exercisable if:

- a. Participant's employment terminates due to death or Permanent Disability, or
- b. Participant's employment terminates on or within two years after a Change in Control without Cause or for Good Reason.

Further, provided, in the event of Participant's Retirement, a separate pro-rata portion of the Tranche of Options (to the extent then unvested) during which the Retirement occurs shall immediately become vested. The number of unvested Options that shall vest pro-rata upon Retirement shall be calculated by multiplying (A) the quotient obtained by dividing the number of completed months that Participant was employed by the Company or one of its Subsidiaries since the most recent Vesting Date by 36, by (B) the number of Options subject to this Agreement (rounding up to the nearest whole number), provided however, that, the pro-rata portion that vests shall only become exercisable on the date the applicable portion of each such Tranche would have otherwise become vested under the schedule described above in this Section 4(a) absent such Retirement.

Notwithstanding the foregoing sentences, upon a Participant's termination of employment for any reason, the Compensation Committee may, in its sole discretion, waive any requirement for vesting then remaining and permit, for a specified period of time consistent with the first sentence of Section 4(b) hereof the exercise of the Options prior to the satisfaction of such requirement. Any fractional Options that would result from application of this Section 4(a) shall be aggregated and shall vest on the first anniversary of the Date of Grant.

(ii)**Option Period.** The Options shall expire (to the extent not previously exercised or forfeited) on, and shall not be exercisable, following the tenth (10th) anniversary of the Date of Grant. In addition, all Options shall be subject to earlier expiration as provided herein or in the Plan, as follows:

c. if Participant's employment terminates due to death or, Permanent Disability or on or after a Change in Control without Cause or for Good Reason, Participant may exercise the Options, to the extent then vested, at any time until the earlier of (A) one year following termination of employment and (B) the expiration date of the Options specified in this Section 4(b);

d. if Participant's employment is terminated due to Retirement, Participant may exercise the Options, to the extent then vested and exercisable, at any time until the expiration date of the Options specified in this Section 4(b);

e. if Participant's employment is terminated by the Company without Cause prior to a Change in Control, Participant may exercise the Options, to the extent then vested, at any time until the earlier of (A) ninety (90) days following termination of employment and (B) the expiration date of the Options specified in this Section 4(b);

f. if Participant voluntarily terminates employment with the Company, Participant may exercise the Options, to the extent then vested, at any time until the earlier of (A) sixty (60) days following termination of employment and (B) the expiration date of the Options specified in this Section 4(b); or

g. in the event of any other termination of Participant's employment (including a termination by the Company for Cause), all of the Options (whether or not vested at the time of termination) shall, without any action on the part of any Person, immediately expire and be canceled without payment therefor.

Except as provided in Section 4(a) hereof or in the case of automatic vesting in connection with such termination event, upon termination of Participant's employment with the Company or a Subsidiary for any reason, all Options which have not theretofore vested shall, without any action on the part of any Person, immediately expire and be canceled without any payment therefor.

(iii)Exercise. Subject to the Company's Policy on Insider Trading, and Sections 4(d), 4(f), and 7 hereof, Participant may exercise any or all of the Options, to the extent vested and not forfeited. The date of exercise of an Option shall be the date on which the conditions provided in Sections 4(d), 4(f), and 7 hereof are satisfied.

(iv)Payment. At the time of any exercise, Participant shall pay to the Company the Option Price of the shares as to which this Option is being exercised by delivery of consideration equal to the product of the Option Price and the number of shares purchased, together with any amounts required to be withheld for tax purposes under Section 17(c) of the Plan. Such consideration must be paid before the Company will issue the shares being purchased and must be in a form or a combination of forms acceptable to the Compensation Committee for that purchase, which forms may (but are not required to) include (i) cash; (ii) check or wire transfer; (iii) tendering (either actually or by attestation) Shares already owned by Participant, provided that the shares have been held for the minimum period required by applicable accounting rules to avoid a charge to the Company's earnings for financial reporting purposes or were not acquired from the Company as compensation; (iv) to the extent permitted by applicable law, Cashless Exercise; or (v) such other consideration as the Compensation Committee may permit in its sole discretion; provided, however, that any Participant may, at any time, exercise any Vested Option (or portion thereof) owned by him pursuant to a Cashless Exercise.

(v)Stockholder Rights. Participant shall have no rights as a stockholder with respect to any Shares issuable upon exercise of the Options until Participant has made payment pursuant to Section 4(d) and a certificate or certificates evidencing such shares shall have been issued to Participant, and no adjustment shall be made for dividends or distributions or other rights in

respect of any share for which the record date is prior to the date upon which Participant shall become the holder of record thereof.

(vi)Limitation of Exercise. The Options shall not be exercisable unless the offer and sale of the Shares subject thereto have been registered under the 1933 Act and qualified under applicable state "blue sky" laws, or the Company has determined that an exemption from registration under the 1933 Act and from qualification under such state "blue sky" laws is available.

(vii)Delivery of Shares. As soon as practicable following the exercise of any Options, the appropriate number of Shares issued in connection with such exercise shall be issued by the Company's transfer agent, in the name of Participant by (a) paper certificate delivered to Participant, or (b) electronic delivery to the Company's representative broker.

(viii)Dividends and Distributions. Any Shares or other securities of the Company received by Participant as a result of a stock dividend or other distribution in respect of Option Shares shall be subject to the same restrictions as such Option Shares, and all references to Option Shares hereunder shall be deemed to include such Shares or other securities.

(ix)Special Exercise Provisions. Notwithstanding anything to the contrary in the Plan or in this Agreement, if Participant is employed or resides in China or Italy, then Participant shall only exercise the Options granted hereunder using the "Cashless Exercise" method as defined in the Plan and shall not have the right to use any other method otherwise permitted under this Agreement.

5. **Wrongful Competition and Wrongful Solicitation**. Participant understands and agrees that Participant shall not engage in Wrongful Competition or Wrongful Solicitation.

6. **Confidential Information and Trade Secrets**.

(x)Access and Use. Participant expressly acknowledges and agrees that, by virtue of Employee's employment with the Company or a Subsidiary and exercise of Participant's duties for the Company or a Subsidiary, Participant will have access to and will use certain Confidential Information and Trade Secrets, and that such Confidential Information and Trade Secrets constitute confidential and proprietary business information and/or Trade Secrets of the Company or its Subsidiaries, all of which is the Company's exclusive property. Accordingly, Participant agrees that Participant shall not, and shall not permit any other person or entity to, directly or indirectly, without the prior written consent of the Company: (a) use Confidential Information or Trade Secrets for the benefit of any person or entity other than the Company or its Subsidiaries; (b) remove, copy, duplicate or otherwise reproduce any document or tangible item embodying or pertaining to any of the Confidential Information or Trade Secrets, except as required to perform responsibilities for the Company or its Subsidiaries; and (c) while employed and thereafter, publish, release, disclose, deliver or otherwise make available to any third party any Confidential Information or Trade Secrets by any communication, including oral, documentary, electronic or magnetic information transmittal device or media.

(xi)Duration of Confidential Information and Trade Secrets. This obligation of non-disclosure and non-use shall last so long as the information remains confidential. Participant, however, understands that, if Participant primarily lives and works in any state requiring a temporal limit on non-disclosure clauses, Confidential Information shall be protected for no less than two (2) years following the Last Day. Participant also understands that Trade Secrets are protected by statute and are not subject to any time limits. Participant also agrees to contact the Company before using, disclosing, or distributing any Confidential Information or Trade Secrets if Participant has any questions about whether such information is protected information.

(xii)Immunity under the Defend Trade Secrets Act of 2016. Participant shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a Trade Secret that: (a) is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney, and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Disclosures to attorneys, made under seal, or pursuant to court order are also protected in certain circumstances under said Act.

(xiii)Additional Legal Exceptions to Non-Disclosure Obligations. Nothing in this Agreement shall be construed to prevent disclosure of Confidential Information as may be required by applicable law or regulation, especially with respect to a Federal or State administrative agency, equivalent State agency, or pursuant to the valid order of a court of competent jurisdiction or an authorized government agency, provided that the disclosure does not exceed the extent of disclosure required by such law, regulation, or order. With respect to an order of a court of competent jurisdiction, Participant will promptly provide written notice to the General Counsel of the Company of any such order. If the Company chooses to seek a protective order or other remedy, Employee will cooperate fully with the Company. If the Company does not obtain a protective order or other remedy or waives compliance with certain provisions of this Agreement, Participant will furnish only that portion of the Confidential Information which, in the written opinion of counsel, is legally required to be disclosed and will use Participant's best efforts to obtain assurances that confidential treatment will be accorded to such disclosed Confidential Information. In addition, nothing in this Agreement in any way prohibits or is intended to restrict or impede, and shall not be interpreted or understood as restricting or impeding, Participant from exercising Participant's rights under Section 7 of the National Labor Relations Act or otherwise disclosing information as permitted by law.

(xiv)Return of Property. Participant agrees that upon the Last Day (or earlier if requested by the Company) to immediately return to the Company all property and information belonging to the Company or its Subsidiaries (in electronic or hard-copy form). Participant shall also disclose to Company any passwords for Participant's computer or other access codes for anything associated with Participant's employment with the Company and/or its Subsidiaries, and shall not delete or modify any property prior to its return to the Company. Participant also shall provide the Company with access to any personal computer, tablet, phone, external hard drives, flash drives, cloud-based storage platforms, or any other personal device or storage location with Company information, whether or not such information is designated as confidential or proprietary, so that Company may remove or delete any Company information.

7. Taxes. This Section 7 applies only to (a) those Participants who are U.S. employees, and (b) those Participants who are employed by a Subsidiary of the Company that is obligated under applicable local law to withhold taxes with respect to the vesting or exercise of the Options. The Company or a designated Subsidiary of the Company shall have the right, prior to the delivery of any certificates evidencing Shares to be issued pursuant to this Agreement, to require Participant to remit to the Company or such Subsidiary any amount sufficient to satisfy any applicable (federal, foreign, state, or local) tax withholding requirements. Prior to the Company's or the designated Subsidiary's determination of such withholding liability, Participant may make an irrevocable election to satisfy, in whole or in part, such obligation to remit taxes by directing the Company or such Subsidiary to withhold Shares that would otherwise be received by Participant (up to the maximum amount of tax permitted to be withheld that will not result in adverse financial accounting consequences to the Company). Such election may be denied by the Compensation Committee in its discretion, or may be made subject to certain conditions specified by the Compensation Committee. The Company or its designated Subsidiary shall also have the right to deduct from all cash payments made pursuant to or in connection with any Award any applicable federal, foreign, state, or local taxes required to be withheld with respect to such payments.

8. **No Obligation to Register.** The Company shall be under no obligation to register any Option Shares as a result of the exercise of the Options pursuant to the Securities Act or any other federal or state securities laws.

9. **Market Stand-Off.** In connection with any underwritten public offering by the Company of its equity securities pursuant to an effective registration statement filed under the Securities Act for such period as the Company or its underwriters may request (such period not to exceed 180 days following the date of the applicable offering), Participant shall not, directly or indirectly, sell, make any short sale of, loan, hypothecate, pledge, offer, grant or sell any option or other contract for the purchase of, purchase any option or other contract for the sale of, or otherwise dispose of or transfer, or agree to engage in any of the foregoing transactions with respect to, any of the Options granted under this Agreement or any Option Shares resulting the exercise thereof without the prior written consent of the Company or its underwriters.

10. **Protections Against Violations of Agreement.** No purported sale, assignment, mortgage, hypothecation, transfer, pledge, encumbrance, gift, transfer in trust (voting or other) or other disposition of, or creation of a security interest in or lien on, any of the Options by any holder thereof in violation of the provisions of this Agreement or the Certificate of Incorporation or the Bylaws of the Company, will be valid, and the Company will not transfer any Option Shares resulting from the exercise of Options on its books nor will any of such shares be entitled to vote, nor will any dividends be paid thereon, unless and until there has been full compliance with such provisions to the satisfaction of the Company. The foregoing restrictions are in addition to and not in lieu of any other remedies, legal or equitable, available to enforce such provisions.

11. **Survival.** This Agreement shall apply to and bind Participant and the Company and their respective permitted assignees and transferees, heirs, legatees, executors, administrators and legal successors. All agreements, representations, and warranties made herein and in the certificates delivered pursuant hereto shall survive the issuance to Participant of the Options and any Option Shares and shall continue in full force and effect. The terms of Section 5-7, 11, 12, 14, 16-20, and 22 shall expressly survive the forfeiture of any Options and the termination of this Agreement.

12. **Notices.** All notices and other communications provided for herein shall be in writing and shall be delivered by hand or sent by certified or registered mail, return receipt requested, postage prepaid, addressed, if to Participant, to Participant's attention at the mailing address set forth on the signature page of this Agreement (or to such other address as Participant shall have specified to the Company in writing) and, if to the Company, to the Company's office at 2366 Bernville Road, Reading Pennsylvania, 19605, Attention: General Counsel (or to such other address as the Company shall have specified to Participant in writing). All such notices shall be conclusively deemed to be received and shall be effective, if sent by hand delivery, upon receipt, or if sent by registered or certified mail, on the fifth day after the day on which such notice is mailed.

13. **Waiver.** The waiver by either party of compliance with any provision of this Agreement by the other party shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by such party of a provision of this Agreement.

14. **Authority of the Administrator.** The Compensation Committee shall have the full authority to interpret and construe the terms of the Plan and this Agreement including, but not limited to, making all determinations regarding eligibility, vesting, forfeiture and the calculation of the number of Options or Option Shares awarded or credited under this Agreement. The determination of the Compensation Committee as to any such matter of interpretation, construction or calculation shall be final, binding and conclusive.

15. **Representations.** Participant has reviewed with Participant's own tax advisors the applicable tax (U.S., foreign, state, and local) consequences of the transactions contemplated by this

Agreement. Participant is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. Participant understands that Participant (and not the Company) shall be responsible for any tax liability that may arise as a result of the transactions contemplated by this Agreement.

16. **Investment Representation.** Participant hereby represents and warrants to the Company that Participant, by reason of Participant's business or financial experience (or the business or financial experience of Participant's professional advisors who are unaffiliated with and who are not compensated by the Company or any affiliate or selling agent of the Company, directly or indirectly), has the capacity to protect Participant's own interests in connection with the transactions contemplated under this Agreement.

17. **Relief, Remedies and Enforcement.** Participant acknowledges and agrees that a breach of any provision of this Agreement by Participant will cause serious and irreparable injury to the Company that will be difficult to quantify and that money damages alone shall not adequately compensate the Company. In the event of a breach or threatened or intended breach of this Agreement by Participant, the Company shall be entitled to injunctive relief, both temporary and final, enjoining and restraining such breach or threatened or intended breach. Participant further agrees that should Participant breach this Agreement, the Company will be entitled to any and all other legal or equitable remedies available to it. Participant shall also pay the Company all reasonable costs and attorneys' fees the Company incurred because of Participant's breach of any provisions of this Agreement.

18. **Entire Agreement; Language; Governing Law.** This Agreement and the Plan and the other related agreements expressly referred to herein set forth the entire agreement and understanding between the parties hereto and supersedes all prior agreements and understandings relating to the subject matter hereof. Notwithstanding the foregoing, Participant will continue to be bound by all prior agreements Participant entered into with the Company relating to confidentiality, trade secrets, wrongful competition, wrongful solicitation, and restrictive covenants ("Prior Restrictive Agreements"). This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same agreement. The headings of sections and subsections herein are included solely for convenience of reference and shall not affect the meaning of any of the provisions of this Agreement. This Agreement has been prepared in English and may be translated into one or more other languages. If there is a discrepancy between or among any of these versions, the English version shall prevail. Unless otherwise restricted by applicable law, this Agreement may be executed electronically. Subject to the following exceptions, this Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, USA, other than its conflicts of laws principles:

(xv)State of Washington Choice of Law/Venue. For Participants employed by the Company in the State of Washington, the Wrongful Competition and Wrongful Solicitation covenants in this Agreement shall be construed according to the laws of the State of Washington, and any action arising out of or relating to those covenants may only be brought and prosecuted in the courts of the State of Washington or in the United States District Court for the Western District of Washington.

(i)State of California Choice of Law/Venue. For Participants employed by the Company in the State of California, the Wrongful Competition and Wrongful Solicitation covenants in this Agreement shall be construed according to the laws of the State of California, and any action arising out of or relating to this Agreement may only be brought and prosecuted in the courts of the State of California or in the United States District Court for the Northern District of California.

19. **Severability and Reformation.** The parties hereto recognize that the laws and public policies of various jurisdictions may differ as to the validity and enforceability of covenants similar to those set forth herein. It is the intention of the parties that the provisions hereof be enforced to the fullest extent



permissible under the laws and policies of each jurisdiction in which enforcement may be sought, and that the unenforceability (or the modification to conform to such laws or policies) of any provisions hereof shall not render unenforceable, or impair, the remainder of the provisions hereof. Accordingly, if at the time of enforcement of any provision hereof, a court of competent jurisdiction holds that the restrictions stated herein are unreasonable under circumstances then existing, the parties hereto agree that the maximum period, scope, or geographic area reasonable under such circumstances will be substituted for the stated period, scope or geographical area and that such court shall be allowed to revise the restrictions contained herein to cover the maximum period, scope and geographical area permitted by law. Furthermore, if any such restriction is held to be void but would be valid if part of the wording (including in particular, but without limitation, the definitions) were deleted, such restriction will apply with so much of the wording deleted as may be necessary to make it valid or effective.

20. **Amendments; Construction.** The Compensation Committee may amend the terms of this Agreement prospectively or retroactively at any time, but (unless otherwise provided under Section 18 of the Plan) no such amendment shall impair the rights of Participant hereunder without Participant's consent. To the extent the terms of Section 5 conflict with any prior agreement between the parties related to such subject matter, the terms of Section 5, to the extent more restrictive, shall supersede such conflicting terms and control. Headings to Sections of this Agreement are intended for convenience of reference only, are not part of this Agreement and shall have no effect on the interpretation hereof.

21. **Acceptance.** Participant hereby acknowledges receipt of a copy of the Plan and this Agreement. Participant has read and understand the terms and provision thereof, and accepts the Options subject to all the terms and conditions of the Plan and this Agreement. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Compensation Committee upon any questions arising under this Agreement.

22. **Miscellaneous.**

(ii)**No Rights to Grants or Continued Employment.** Participant acknowledges that the award granted under this Agreement is not an employment right, and is being granted at the sole discretion of the Compensation Committee. Participant shall not have any claim or right to receive grants of Awards under the Plan. Neither the Plan nor this Agreement, or any action taken or omitted to be taken hereunder or thereunder, shall be deemed to create or confer on Participant any right to be retained as an employee of the Company or any Subsidiary or other Affiliate thereof, or to interfere with or to limit in any way the right of the Company or any Affiliate or Subsidiary thereof to terminate the employment of Participant at any time.

(iii)**Unfunded Plan.** No Participant and no beneficiary or other persons claiming under or through Participant, shall have any right, title, or interest by reason of any award under the Agreement to any particular assets of the Company or any Subsidiary or other Affiliate, or any Common Stock allocated or reserved for the purposes of this Agreement or subject to any Option as set forth herein. The Company shall not be required to establish any fund or make any other segregation of assets to assure satisfaction of the Company's obligations under the Agreement or Plan.

(iv)**No Restriction on Right of Company to Effect Corporate Changes.** Neither the Plan nor this Agreement shall affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations, or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of stock or of options, warrants or rights to purchase stock or of bonds, debentures, preferred, or prior preference stocks whose rights are superior to or affect the Common Stock or the rights thereof or which are convertible into or exchangeable for Common Stock, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of the assets or

business of the Company, or any other corporate act or proceeding, whether of a similar character or otherwise.

(v) **Assignment.** The Company shall have the right to assign any or all of its rights, and by accepting these **Options**, Participant hereby consents to an assignment. The Company shall have the right to delegate any or all of its duties under this Agreement to any of its Affiliates. The terms and conditions of this Agreement shall be binding upon and shall inure to the benefit of the permitted successors and assigns of the Company (including any person or entity which acquires all or substantially all of the assets of the Company).

(vi) **Adjustments.** The Options shall be adjusted or terminated as contemplated by Section 16(a) of the Plan.

(vii) **Clawback Policy.** The Options and any Option Shares shall be subject to the terms of the clawback policy adopted by the Board of Directors (as such policy may be amended from time-to-time). Each payment in settlement of an Award will be delivered as described above and taxable upon delivery in accordance with applicable tax law, but for purposes of California Labor Code Section 221, and any successor provision, will not be considered "wages" and will not be considered "earned" until the end of the second complete calendar year following delivery of the payment. For purposes of the foregoing, Participant expressly and explicitly authorizes the Company to issue instructions, on Participant's behalf, to any brokerage firm and/or third party administrator engaged by the Company to hold Participant's Shares, and other amounts acquired under the Plan to re-convey, transfer or otherwise return such Shares and/or other amounts to the Company.

23. **Survival.** All wrongful competition, wrongful solicitation, and confidential information/trade secret obligations in this Agreement shall survive the Last Day and the termination or expiration of this Agreement, and no dispute regarding any other provisions of this Agreement or regarding Participant's employment or the termination of Participant's employment shall prevent the operation and enforcement of these obligations.

24. **Transfer of Employment.** In the event of a transfer of Participant's employment between Company affiliates, this Agreement shall continue in effect. The succeeding Company affiliate shall succeed to all rights of the prior Company affiliate under this Agreement, including the right to enforce this Agreement (so long as this Agreement has not otherwise been superseded).

25. **Electronic Signature.** Participant agrees that the Company may enforce this Agreement with a copy for which Participant has provided an electronic signature, and that such electronic signature may be satisfied by procedures that the Company or a third party designated by the Company has established or may establish for an electronic signature system, and Participant's electronic signature shall be the same as, and shall have the same force and effect as, Participant's written signature. By electronically accepting this Agreement, Participant agrees to the following: "This electronic contract contains my electronic signature, which I have executed with the intent to sign this Agreement."

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**THIS AGREEMENT SHALL BE NULL AND VOID AND UNENFORCEABLE BY THE PARTICIPANT UNLESS SIGNED AND DELIVERED TO THE COMPANY NOT LATER THAN THIRTY (30) DAYS SUBSEQUENT TO THE DATE OF GRANT SET FORTH BELOW.**

**BY SIGNING THIS AGREEMENT, THE PARTICIPANT IS HEREBY CONSENTING TO THE USE AND TRANSFER OF THE PARTICIPANT'S PERSONAL DATA BY THE COMPANY TO THE EXTENT NECESSARY TO ADMINISTER AND PROCESS THE AWARDS GRANTED UNDER THIS AGREEMENT.**

**IN WITNESS WHEREOF**, the Company has caused this Agreement to be executed by its duly authorized officer and Participant has executed this Agreement, both as of the day and year first above written.

**ENERSYS**

By: \_\_\_\_\_  
Name: David M. Shaffer  
Title: President & Chief Executive Officer

**PARTICIPANT**

\_\_\_\_\_  
Name:  
Address:

Date Of Grant: \_\_\_\_\_

Number of Options: \_\_\_\_\_ Option Price: \$ \_\_\_\_\_

**Appendix A**  
**to**  
**Employee Stock Option Agreement**  
**Under the Amended and Restated 2017 Equity Incentive Plan**

This Appendix A contains supplemental terms and conditions for awards of nonqualified stock options ("Options") granted as of the Date of Grant set forth in the Agreement under the Amended and Restated 2017 Equity Incentive Plan (the "Plan") to Participants who reside outside the United States or who are otherwise subject to the laws of a country other than the United States.

Participant has also received the Agreement applicable to the Award set forth therein. The Agreement, together with this Appendix A and the Plan are the terms and conditions of the grant of Options set forth in the Agreement. To the extent that this Appendix A amends, deletes or supplements any terms of the Agreement, this Appendix A shall control. Capitalized terms used but not defined herein shall have the same meanings ascribed to them in the Agreement.

**Section I** of this Appendix A contains special terms and conditions that govern the Options outside of the United States. **Section II** of this Appendix A contains special terms and conditions that govern the Options in all countries, excluding Bulgaria, Czech Republic, France, Germany, Italy, Netherlands, Poland, Switzerland and the United Kingdom. **Section III** of this Appendix A contains special terms and conditions that govern the Options in Bulgaria, Czech Republic, France, Germany, Italy, Netherlands, Poland, Switzerland and the United Kingdom. **Section IV** of this Appendix A includes special terms and conditions in the specific countries listed therein.

This Appendix A may also include information regarding exchange controls, taxation of awards and certain other issues of which Participant should be aware with respect to participation in the Plan. The information is based on the securities, exchange control, tax and other laws concerning Options in effect **as of March 1, 2021**. Such laws are often complex and change frequently; the information may be out of date at the time Participant vests in or exercises the Options or sells shares acquired under the Plan. As a result, the Company strongly recommends that Participant should not rely on the information noted herein as the only source of information relating to the consequences of Participant's participation in the Plan.

In addition, this Appendix A is general in nature, does not discuss all of the various laws, rules and regulations which may apply to Participant's particular situation and the Company does not assure Participant of any particular result. **Accordingly, Participant is strongly advised to seek appropriate professional advice as to how the relevant laws in Participant's country apply to Participant's specific situation.**

*Finally, if Participant is a citizen or resident of a country other than the one in which Participant is currently working, transferred employment after the Award was granted or is considered a resident of another country for local law purposes, the information contained herein may not be applicable to Participant in the same manner. In addition, the Company shall, in its sole discretion, determine to what extent the terms and conditions contained herein will apply under these circumstances.*

**Section I. All Countries Outside the United States**

**1. Nature of Grant.** In accepting the Award, Participant acknowledges that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;

- (b) the grant of the Options is voluntary and occasional and does not create any contractual or other right to receive future grants of Options, or benefits in lieu of Options, even if Options have been granted repeatedly in the past;
- (c) all decisions with respect to future grants, if any, will be at the sole discretion of Company;
- (d) Participant is voluntarily participating in the Plan;
- (e) the Options and the underlying Shares subject to the Options are extraordinary items that do not constitute compensation of any kind for services of any kind rendered to the Company or any Subsidiary or Affiliate, and which is outside the scope of Participant's employment contract, if any;
- (f) the Options and the underlying Shares subject to the Options are not intended to replace any pension rights, if any, or compensation;
- (g) the Options and the underlying Shares subject to the Options, and the income and value of same, are not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Company or any Subsidiary or Affiliate;
- (h) the grant of the Options and Participant's participation in the Plan will not be interpreted to form an employment contract or relationship with the Company or any Subsidiary or Affiliate;
- (i) the future value of the underlying Shares is unknown and cannot be predicted with certainty;
- (j) if Participant obtains Shares upon exercise of Participant's Options, the value of those shares acquired may increase or decrease in value;
- (k) in consideration of the grant of the Options, no claim or entitlement to compensation or damages shall arise from forfeiture of the Options resulting from termination of Participant's employment with the Company or any Subsidiary or Affiliate (for any reason whatsoever and whether or not in breach of local labor laws) and Participant irrevocably release the Company and the Subsidiaries and Affiliates from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, Participant will be deemed irrevocably to have waived Participant's entitlement to pursue such claim;
- (l) in the event of termination of Participant's employment (whether or not in breach of local labor laws), Participant's right to vest in the Options under the Plan, if any, will terminate effective as of the date that Participant is no longer actively employed and will not be extended by any notice period mandated under local law (*e.g.*, active employment would not include a period of "garden leave" or similar period pursuant to local law); the Compensation Committee shall have the exclusive discretion to determine when Participant is no longer actively employed for purposes of Participant's Award;
- (m) the Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding Participant's participation in the Plan, or Participant's acquisition or sale of Common Stock;
- (n) Participant is hereby advised to consult with Participant's personal tax, legal and financial advisors regarding participation in the Plan before taking any action related to the Plan;

(o) unless otherwise provided in the Plan or by the Company in its discretion, the Options and the benefits evidenced by this Agreement do not create any entitlement to have the Options or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the shares of the Company; and

(p) neither the Company, any Subsidiary nor any Affiliate of the Company shall be liable for any foreign exchange rate fluctuation between Participant's local currency and the United States Dollar that may affect the value of the Options or of any amounts due to Participant pursuant to the exercise of the Options or the subsequent sale of any shares acquired upon exercise.

i. 2. Payment of Taxes. The following provisions supplement Section 7 of the Agreement entitled "Taxes."

(a) Regardless of any action the Company or the Subsidiary/Affiliate that employs Participant (the "Employer") takes with respect to any or all income tax, Participant's portion of social insurance, payroll tax, payment on account or other tax-related items related to Participant's participation in the Plan and legally applicable to Participant ("Tax-Related Items"), Participant acknowledges that the ultimate liability for all Tax-Related Items is and remains Participant's responsibility and may exceed the amount actually withheld by the Company or the Employer.

(b) Participant further acknowledges that the Company and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Award, including, but not limited to, the grant of the Options, the issuance of Shares upon exercise of the Options, the subsequent sale of Shares acquired pursuant to such issuance and the receipt of any dividends; and (2) do not commit to, and are under no obligation to, structure the terms of the grant or any aspect of the Options to reduce or eliminate Participant's liability for Tax-Related Items or achieve any particular tax result.

(c) Further, if Participant becomes subject to tax in more than one jurisdiction between the Date of Grant and the date of any relevant taxable event, Participant acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

(d) Participant authorizes the Company and/or the Employer, or their respective agents, at their discretion, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following: (1) withholding in Shares to be issued or cash distributed upon exercise of the Options; (2) withholding from Participant's wages or other cash compensation paid to Participant by the Company and/or the Employer; (3) withholding from the proceeds of the sale of Shares acquired upon exercise of the Options either through a voluntary sale or through a mandatory sale arranged by the Company (on Participant's behalf pursuant to this authorization).

(e) To avoid negative accounting treatment, the Company may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, Participant shall be deemed to have been issued the full number of Shares issuable upon the exercise of the Options, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of Participant's participation in the Plan.

(f) Participant shall pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of Participant's participation in the Plan that cannot be satisfied by the means previously described. The Company may

refuse to issue or deliver the Shares or the proceeds of the sale of Shares, if Participant fails to comply with this obligation.

- i. 3. Insider Trading Restrictions/Market Abuse Laws. Participant acknowledges that, depending on Participant's country of residence (and country of employment, if different), Participant may be subject to insider trading restrictions and/or market abuse laws, which may affect Participant's ability to acquire or sell Shares or rights to Shares (e.g., Options) under the Plan during such times as Participant is considered to have "inside information" (as defined by the laws in the applicable country). The insider trading and/or market abuse laws may be different from any Company Insider Trading Policy. Participant personally is responsible for ensuring compliance with any applicable restrictions and should consult with Participant's personal legal advisor for additional information about any applicable restrictions and Participant's obligations.
- i. 4. Foreign Asset/Account and Exchange Control Reporting. Participant's country of residence (and country of employment, if different) may have certain exchange controls and foreign asset and/or account reporting requirements which may affect Participant's ability to purchase or hold Shares under the Plan or receive cash from Participant's participation in the Plan (including from any dividends received or sale proceeds arising from the sale of Shares) in a brokerage or bank account outside Participant's country of residence (and country of employment, if different). Participant may be required to report such accounts, assets or transactions to the tax or other authorities in Participant's country of residence (and country of employment, if different). Further, Participant may be required to repatriate the Shares or proceeds acquired as a result of participating in the Plan to Participant's country of residence (and country of employment, if different) through a designated bank/broker and/or within a certain time. Participant personally is responsible for ensuring compliance with any applicable reporting obligations and should consult with Participant's personal legal advisor for additional information about such obligations.
7. 5. Language. Participant acknowledges that Participant is sufficiently proficient in English, or, alternatively, Participant acknowledges that Participant will seek appropriate assistance, to understand the terms and conditions in the Agreement and Appendix A. Furthermore, if Participant has received the Agreement, Appendix A or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.
6. Foreign Asset/Account Reporting. Please be aware that Participant's country of employment and/or residency may have certain foreign asset and/or account reporting requirements which may affect Participant's ability to acquire or hold Shares under the Plan or cash received from participating in the Plan (including from any dividends received or sale proceeds arising from the sale of Shares) in a brokerage or bank account outside Participant's country of employment and/or residency. Participant may be required to report such accounts, assets or transactions to the tax or other authorities in Participant's country. Participant acknowledges that Participant personally is responsible for being compliant with such regulations, and Participant should consult with Participant's personal advisor for guidance on Participant's personal reporting obligations.

- a. Section II. **All Countries Excluding Bulgaria, Czech Republic, France, Germany, Italy, Netherlands, Poland, Switzerland and United Kingdom**

**Data Privacy Consent.**

(a) General. The Company is located at 2366 Bernville Road, Reading, Pennsylvania 19605, United States of America, and grants Options under the Plan to employees of the Company and its Subsidiaries, at its sole discretion. In conjunction with the Company's grant of Options under the Plan and its ongoing administration of such Options, the Company is providing the following information about its data collection, processing and transfer practices. In accepting the grant of the Options, Participant expressly and explicitly consents to the personal data activities as described herein.

(b) Data Collection, Processing and Usage. The Company and the Employer will collect, process and use certain personal information about Participant, specifically, Participant's name, home address, email address and telephone number, date of birth, social security or insurance number, passport number or other identification number, salary, nationality, job title, any Shares or directorships held in the Company, details of all Options or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in Participant's favor ("Personal Data"), for the exclusive purpose of implementing, administering and managing the Plan. Participant's Personal Data also may be disclosed to certain securities or other regulatory authorities where the Company's securities are listed or traded or regulatory filings are made. The Company's legal basis for the collection, processing, usage and disclosure of Participant's Personal Data is Participant's consent.

(c) Stock Plan Administration Service Providers. The Company and the Employer transfer Participant's Personal Data to Solium Capital LLC, a broker firm/third party service provider based in the United States of America and engaged by the Company to assist with the implementation, administration and management of awards granted under the Plan (the "Stock Plan Administrator"). In the future, the Company may select a different Stock Plan Administrator and share Participant's Personal Data with another company that serves in a similar manner. The Stock Plan Administrator will open an account for Participant to receive and trade Shares acquired under the Plan. Participant will be asked to agree to separate terms and data processing practices with the Stock Plan Administrator, which is a condition of Participant's ability to participate in the Plan.

(d) International Personal Data Transfers. The Company and the Stock Plan Administrator are based in the United States of America. Participant should note that Participant's country of residence may have enacted data privacy laws that are different from the United States of America. The Company's legal basis for the transfer of Participant's Personal Data to the United States of America is Participant's consent.

(e) Voluntariness and Consequences of Consent, Denial or Withdrawal. Participant's participation in the Plan and Participant's grant of consent hereunder is purely voluntary. Participant may deny or withdraw Participant's consent at any time. If Participant does not consent, or if Participant later withdraws his or her consent, Participant may be unable to participate in the Plan. This would not affect Participant's existing employment or salary; instead, Participant merely may forfeit the opportunities associated with participation in the Plan.

(f) Personal Data Retention. Participant understands that Participant's Personal Data will be held only as long as is necessary to implement, administer and manage the Options and Participant's participation in the Plan. When the Company no longer needs Participant's Personal Data,



the Company will remove it from its systems. If the Company retains Participant's Personal Data longer, it would be to satisfy the Company's legal or regulatory obligations and the Company's legal basis would be for compliance with applicable laws, rules and regulations.

(g) Personal Data Subject Rights. Participant understands that Participant may have the right under applicable law to (i) access or copy Participant's Personal Data that the Company possesses, (ii) rectify incorrect Personal Data concerning Participant, (iii) delete Participant's Personal Data, (iv) restrict processing of Participant's Personal Data, or (v) lodge complaints with the competent supervisory authorities in Participant's country of residence. To receive clarification regarding these rights or to exercise these rights, Participant can contact the Company's Legal Department at [legal@enersys.com](mailto:legal@enersys.com).

b. **Section III. Bulgaria, Czech Republic, France, Germany, Italy, Netherlands, Poland, Switzerland and United Kingdom**

**Data Privacy Notice.**

(a) General. The Company is located at 2366 Bernville Road, Reading, Pennsylvania 19605, United States of America, and grants Options under the Plan to employees of the Company and its Subsidiaries, at its sole discretion. In conjunction with the Company's grant of Options under the Plan and its ongoing administration of such Options, the Company is providing the following information about its data collection, processing and transfer practices, which Participant should carefully review.

(b) Data Collection, Processing and Usage. The Company and the Employer will collect, process and use certain personal information about Participant, specifically, Participant's name, home address, email address and telephone number, date of birth, social security or insurance number, passport number or other identification number, salary, nationality, job title, any Shares or directorships held in the Company, details of all Options or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in Participant's favor ("Personal Data"), for the exclusive purpose of implementing, administering and managing the Plan. Participant's Personal Data also may be disclosed to certain securities or other regulatory authorities where the Company's securities are listed or traded or regulatory filings are made. The Company's legal basis for the collection, processing, usage and disclosure of Participant's Personal Data is to satisfy its contractual obligations under the terms of the Agreement and Appendix A, and to comply with applicable laws, rules and regulations.

(c) Stock Plan Administration Service Providers. The Company and the Employer transfer Participant's Personal Data to Solium Capital LLC, a broker firm/third party service provider based in the United States of America and engaged by the Company to assist with the implementation, administration and management of awards granted under the Plan (the "Stock Plan Administrator"). In the future, the Company may select a different Stock Plan Administrator and share Participant's Personal Data with another company that serves in a similar manner. The Stock Plan Administrator will open an account for Participant to receive and trade Shares acquired under the Plan. Participant will be asked to agree to separate terms and data processing practices with the Stock Plan Administrator, which is a condition of Participant's ability to participate in the Plan.

(d) International Personal Data Transfers. The Company and the Stock Plan Administrator are based in the United States of America. Participant should note that Participant's country of residence may have enacted data privacy laws that are different from the United States of America.

The Company's legal basis for the transfer of Participant's Personal Data to the United States of America is to satisfy its contractual obligations under the terms and conditions of the Agreement and Appendix A.

(e) Personal Data Retention. Participant understands that Participant's Personal Data will be held only as long as is necessary to implement, administer and manage the Options and Participant's participation in the Plan. When the Company no longer needs Participant's Personal Data, the Company will remove it from its systems. If the Company retains Participant's Personal Data longer, it would be to satisfy the Company's legal or regulatory obligations and the Company's legal basis would be for compliance with applicable laws, rules and regulations.

(f) Personal Data Subject Rights. Participant understands that Participant may have the right under applicable law to (i) access or copy Participant's Personal Data that the Company possesses, (ii) rectify incorrect Personal Data concerning Participant, (iii) delete Participant's Personal Data, (iv) restrict processing of Participant's Personal Data, or (vi) lodge complaints with the competent supervisory authorities in Participant's country of residence. To receive clarification regarding these rights or to exercise these rights, Participant can contact the Company's Legal Department at [legal@enersys.com](mailto:legal@enersys.com).

## Section IV. Country-Specific Provisions

### **Argentina**

Payment via Mandatory Cashless Exercise. Notwithstanding anything to the contrary in Section 4(d) of the Agreement, Participant may exercise the Options only by means of a Cashless Exercise whereby all of the Option Shares related to the Options being exercised shall be sold and Participant shall receive a cash payment in settlement of such exercised Options (for the sake of clarity, Participant shall not receive any actual Shares in connection with the Options being exercised). The Company reserves the right to eliminate the required use of the Cashless Exercise form of payment, in its sole discretion, and allow Participant to use another form of payment permitted under Section 4(d) of the Agreement.

Securities Law Information. Neither the Options nor the underlying Shares shall be publicly offered or listed on any stock exchange in Argentina and, as a result, have not been and will not be registered with the Argentine Securities Commission (*Comisión Nacional de Valores* or "CNV"). The offer is private and not subject to the supervision of any Argentine governmental authority. Neither this nor any other offering material related to the Options or the underlying Shares may be utilized in connection with any general offering to the public in Argentina. Argentine residents who acquire Options under the Plan do so according to the terms of a private offering made from outside Argentina.

### **Australia**

Compliance with Law. Notwithstanding anything to the contrary in the Agreement or the Plan, Participant shall not be entitled to, and shall not claim any benefit (including without limitation a legal right) under the Plan if the provision of such benefit would give rise to a breach of Part 2D.2 of the Corporations Act 2001 (Cth) (the "Act"), any other provision of that Act, or any other applicable statute, rule or regulation which limits or restricts the giving of such benefits.

Australian Offer Document. The Options are granted pursuant to the Australian Offer Document and the grant is intended to comply with the provisions of the Corporations Act 2001, ASIC Regulatory Guide 49 and ASIC Class Order 14/1000. Participation in the Plan and the Options granted under the Plan are subject to the terms and conditions stated in the Australian Offer Document, in addition to the Plan and the Agreement.

Tax Information. The Plan is a plan to which Subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) (the "Act") applies (subject to the conditions in that Act).

Exchange Control Information. Exchange control reporting is required for cash transactions exceeding AUD 10,000 and international fund transfers. The Australian bank assisting with the transactions will file the report on Participant's behalf. If an Australian bank is not involved in the transfer, Participant personally will have to file the report. Participant personally is responsible for ensuring compliance with any applicable reporting obligations and should consult with Participant's personal legal advisor for additional information about such obligations.

### **Austria**

Exchange Control Information. If Participant holds securities (including Shares acquired under the Plan) or cash (including proceeds from the sale of Shares) outside of Austria, Participant may be required to report certain information to the Austrian National Bank if certain thresholds are exceeded. Specifically, if Participant is an Austrian resident and holds securities outside of Austria, reporting requirements will apply if the value of such securities meets or exceeds (i) €30,000,000 as of the end of any calendar quarter, or (ii) €5,000,000 as of December 31. Further, if Participant holds cash in accounts outside of Austria, monthly reporting requirements will apply if the aggregate transaction volume of such cash accounts meets or exceeds €10,000,000.

**Brazil**

Payment via Mandatory Cashless Exercise. Notwithstanding anything to the contrary in Section 4(d) of the Agreement, Participant may exercise the Options only by means of a Cashless Exercise whereby all of the Option Shares related to the Options being exercised shall be sold and Participant shall receive a cash payment in settlement of such exercised Options (for the sake of clarity, Participant shall not receive any actual Shares in connection with the Options being exercised). The Company reserves the right to eliminate the required use of the Cashless Exercise form of payment, in its sole discretion, and allow Participant to use another form of payment permitted under Section 4(d) of the Agreement.

Labor Law Policy and Acknowledgment. By accepting the Options, Participant agrees that (i) Participant is making an investment decision, (ii) any cash payment or Shares will be issued to Participant only if the vesting and exercise conditions are met and (iii) the value of the underlying Shares is not fixed and may increase or decrease in value over the vesting period without compensation to the Participant.

Compliance with Law. By accepting the Options, Participant agrees to comply with applicable Brazilian laws and to report and pay applicable Tax-Related Items associated with the exercise of the Options or the subsequent sale of any Shares acquired under the Plan.

Foreign Asset/Account Reporting Information. If Participant is resident or domiciled in Brazil, Participant will be required to submit an annual declaration of assets and rights held outside of Brazil to the Central Bank of Brazil if the aggregate value of such assets and rights is equal to or greater than US\$100,000 (US\$1,000,000 as of January 1, 2021). Quarterly reporting is required if such amount exceeds US\$100,000,000. Assets and rights that must be reported include Shares acquired under the Plan.

Tax on Financial Transactions (IOF). Payments to foreign countries, repatriation of funds into Brazil, and the conversion of BRL into USD associated with such fund transfers, may be subject to the Tax on Financial Transaction. It is Participant's personal responsibility to comply with any applicable Tax on Financial Transaction arising from participation in the Plan. Participant should consult with Participant's personal tax advisor for additional details.

**Bulgaria**

Exchange Control Information. If Participant is a Bulgarian resident, Participant will be required to file statistical forms with the Bulgarian National Bank annually regarding receivables in Participant's foreign bank accounts as well as securities held abroad (e.g., Shares acquired under the Plan) if the total sum of all such receivables and securities equals or exceeds BGN50,000 as of the previous calendar year-end. The reports are due by March 31. Participant understands that Participant should contact his or her bank in Bulgaria for additional information regarding these requirements.

Foreign Asset/Account Reporting Notification. Participant is required to report the acquisition of Shares under the Plan on Participant's annual tax return in the year of acquisition and in each subsequent annual tax return for as long as Participant holds the Shares.

**Canada**

No Payment via Existing Shares. Notwithstanding anything to the contrary in Section 4(d) of the Agreement, Participant may not exercise the Options by tendering existing Shares held by Participant as payment of the Option Price or any Tax-Related Items associated with the exercise of the Options.

Termination of Employment. For purposes of the Agreement, Participant's employment or service will be considered terminated as of the earlier of: (a) the date Participant terminates employment; (b) the date

Participant receives notice of termination; or (c) the date on which Participant is no longer actively employed by or actively providing services, regardless of any notice period or period of pay in lieu of such notice required under applicable law (including, but not limited to, statutory law, regulatory law and/or common law). The Committee shall have the exclusive discretion to determine when Participant's employment or service is terminated for purposes of the Agreement (including whether Participant may still be considered to be providing service while on a leave of absence).

Securities Law Notification. Participant is permitted to sell Shares acquired under the Plan through the designated broker appointed under the Plan, if any, provided that the resale of such shares takes place outside of Canada through the facilities of a national securities exchange on which the shares are listed (i.e., The New York Stock Exchange).

English Language Consent for Participants in Quebec. To the extent Participant resides in Quebec, the parties acknowledge that it is their express wish that the Plan, the Agreement and this Appendix A, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

*Les parties reconnaissent avoir exigé la rédaction en anglais de cette convention («Plan, Agreement and Appendix A»), ainsi que de tous documents, avis et procédures judiciaires, exécutés, donnés ou intentés en vertu de, ou liés directement ou indirectement à, la présente convention.*

Foreign Asset/Account Reporting Information. Foreign property, including Shares and other rights to acquire Shares (e.g., Options), of a non-Canadian company held by a Canadian resident employee must generally be reported annually on a Form T1135 (Foreign Income Verification Statement), if the total cost of Participant's foreign assets exceeds C\$100,000 at any time during the year. The Options must be reported, generally at nil cost, if the C\$100,000 threshold is exceeded because of other foreign property Participant holds. When Shares are acquired, their cost generally is the adjusted cost base ("**ACB**") of such shares, ordinarily equal to the Fair Market Value of the shares at the time of acquisition, but if Participant owns other Shares, the ACB may have to be averaged with the ACB of the other shares. Participant personally is responsible for ensuring compliance with any applicable reporting obligations and should consult with Participant's personal legal advisor for additional information about such obligations.

#### **China**

Options Settled Locally Only in Cash. Notwithstanding anything in the Agreement or the Plan to the contrary, any exercised Options shall be settled solely by means of a cash payment made directly to Participant by the Employer in China. The grant of Options does not provide any right for Participant to receive Shares.

#### **Czech Republic**

Exchange Control Information. The Czech National Bank may require Participant to fulfill certain notification duties in relation to the opening and maintenance of a foreign account. However, because exchange control regulations change frequently and without notice, Participant should consult with Participant's legal advisor prior to the sale of Shares to ensure compliance with current regulations. It is Participant's responsibility to comply with Czech exchange control laws, and neither the Company nor the Employer will be liable for any resulting fines or penalties.

#### **France**

Nature of Options. The Options are not granted under the French specific regime provided by Articles L. 225-177 to L. 225-186-1 of the French commercial code.

English Language Consent. The parties acknowledge that it is their express wish that the Plan, the Agreement and this Appendix A, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

*Les parties reconnaissent avoir exigé la rédaction en anglais de cette convention («Plan, Agreement and Appendix A»), ainsi que de tous documents, avis et procédures judiciaires, exécutés, donnés ou intentés en vertu de, ou liés directement ou indirectement à, la présente convention.*

Exchange Control Information. The value of any cash or securities imported to or exported from France without the use of a financial institution must be reported to the customs and excise authorities when the value of such cash or securities is equal to or greater than a certain amount. Participant personally is responsible for ensuring compliance with any applicable reporting obligations and should consult with Participant's personal legal advisor for additional information about such obligations.

#### **Germany**

Exchange Control Information. Cross-border payments in connection with the purchase or sale of securities in excess of EUR 12,500 must be reported monthly by accessing the electronic General Statistics Reporting Portal (*Allgemeines Meldportal Statistik*) via the Bundesbank's website ([www.bundesbank.de](http://www.bundesbank.de)). Participant personally is responsible for ensuring compliance with any applicable reporting obligations and should consult with Participant's personal legal advisor for additional information about such obligations.

#### **India**

Payment via Mandatory Cashless Exercise. Notwithstanding anything to the contrary in Section 4(d) of the Agreement, Participant may exercise the Options only by means of a Cashless Exercise whereby all of the Option Shares related to the Options being exercise shall be sold and Participant shall receive a cash payment in settlement of such exercised Options (for the sake of clarity, Participant shall not receive any actual Shares in connection with the Options being exercised). The Company reserves the right to eliminate the required use of the Cashless Exercise form of payment, in its sole discretion, and allow Participant to use another form of payment permitted under Section 4(d) of the Agreement.

Exchange Control Information. Participant must repatriate to India the proceeds resulting from a Cashless Exercise within 90 days after receipt. Participant must obtain evidence of the repatriation of funds in the form of a foreign inward remittance certificate (the "FIRC") from the bank where Participant deposited the foreign currency. Participant must retain the FIRC in Participant's records to present to the Reserve Bank of India or Participant's Employer in the event that proof of repatriation is requested. Participant personally is responsible for ensuring compliance with the local exchange control rules and should consult with Participant's personal legal advisor for additional information about such rules and obligations.

Foreign Assets Reporting Information. Participant is required to declare Participant's foreign bank accounts and any foreign financial assets (including Shares held outside India) in Participant's annual tax return. Participant personally is responsible for ensuring compliance with any applicable reporting obligations and should consult with Participant's personal legal advisor for additional information about such obligations.

#### **Italy**

Payment via Mandatory Cashless Exercise. Notwithstanding anything to the contrary in Section 4(d) of the Agreement, Participant may exercise the Options only by means of a Cashless Exercise whereby all of the Option Shares related to the Options being exercise shall be sold and Participant shall receive a

cash payment in settlement of such exercised Options (for the sake of clarity, Participant shall not receive any actual Shares in connection with the Options being exercised). The Company reserves the right to eliminate the required use of the Cashless Exercise form of payment, in its sole discretion, and allow Participant to use another form of payment permitted under Section 4(d) of the Agreement.

Plan Document Acknowledgment. In accepting the grant of Options, Participant acknowledges that Participant has received a copy of the Plan, has reviewed the Plan and the Agreement in their entirety, and fully understands and accepts all provisions of the Plan and the Agreement. Participant further acknowledges that Participant has read and specifically and expressly approves the following Sections in the Agreement and Appendix A:

- Section 4 (Terms and Conditions)
- Section 5 (Wrongful Competition and Wrongful Solicitation)
- Section 6 (Confidential Information and Trade Secrets)
- Section 16 (Investment Representation)
- Section 18 (Entire Agreement; Language; Governing Law)
- Section 22(f) (Clawback Policy)
- Appendix A, Section I (Nature of Grant)
- Appendix A, Section I (Payment of Taxes)
- Appendix A, Section III (Data Privacy Notice)

Foreign Asset/Account Reporting Information. If Participant is an Italian resident and, during any fiscal year, holds investments or financial assets outside of Italy (e.g., cash, Shares) which may generate income taxable in Italy, Participant is required to report such investments or assets on Participant's annual tax return (on UNICO Form, RW Schedule, or on a special form if Participant is not required to file a tax return). These reporting obligations will apply to Participant if Participant is the beneficial owner of foreign financial assets under Italian money laundering provisions. Further, the value of the financial assets held outside of Italy (including Shares) by Italian residents is subject to a foreign asset tax. The taxable amount will be the fair market value of the financial assets (i.e., Shares acquired under the Plan) assessed at the end of the calendar year

#### **Malaysia**

Director Notification Obligation. If Participant is a director of a Malaysian Subsidiary or Affiliate, Participant is subject to certain notification requirements under the Malaysian Companies Act. Among these requirements is an obligation to notify the Malaysian Subsidiary or Affiliate in writing when Participant receives or dispose of an interest (e.g., an award under the Plan or Shares) in the Company or any related company. Such notifications must be made within 14 days of receiving or disposing of any interest in the Company or any related company.

Insider-Trading Information. Participant should be aware of the Malaysian insider-trading rules, which may impact Participant's acquisition or disposal of shares or rights to shares under the Plan. Under the Malaysian insider-trading rules, Participant is prohibited from acquiring or selling shares or rights to shares (e.g., an award under the Plan) when Participant is in possession of information which is not generally available and which Participant knows or should know will have a material effect on the price of shares once such information is generally available.

**Mexico**

Nature of Grant. The following provisions supplement Section I (Nature of Grant) of this Appendix A:

Acknowledgment of the Grant. In accepting the Options, Participant acknowledges that Participant has received a copy of the Plan and the Agreement, including this Appendix A, and that Participant has reviewed the Plan and the Agreement, including this Appendix A, in its entirety and fully understand and accept all provisions of the Plan and the Agreement, including this Appendix A. Participant further acknowledges that Participant has read and specifically and expressly approve the terms and conditions of Section I (Nature of Grant) of this Appendix A, in which the following is clearly described and established:

i. Participant's participation in the Plan does not constitute an acquired right.

ii. The Plan and Participant's participation in the Plan are offered by the Company on a wholly discretionary basis.

iii. Participant's participation in the Plan is voluntary.

iv. Neither the Company nor any Subsidiary or Affiliate is responsible for any decrease in the value of the Options granted and/or the Shares issued under the Plan.

Securities Law Information. The Options and the Shares offered under the Plan have not been registered with the National Register of Securities maintained by the Mexican National Banking and Securities Commission and cannot be offered or sold publicly in Mexico. In addition, the Plan, the Agreement and any other document relating to the Options may not be publicly distributed in Mexico. These materials are addressed to Participant only because of Participant's existing relationship with the Company and the Subsidiary in Mexico that employs Participant, and these materials should not be reproduced or copied in any form. The offer contained in these materials does not constitute a public offering of securities but rather constitutes a private placement of securities addressed specifically to individuals who are present employees of the Subsidiary in Mexico made in accordance with the provisions of the Mexican Securities Market Law, and any rights under such offering shall not be assigned or transferred.

Labor Law Acknowledgment and Policy Statement. In accepting the Options, Participant expressly recognizes that the Company, with registered offices at 2366 Bernville Road, Reading, Pennsylvania 19605, United States of America, is solely responsible for the administration of the Plan and that Participant's participation in the Plan and acquisition of shares does not constitute an employment relationship between Participant and the Company since Participant is participating in the Plan on a wholly commercial basis and Participant's sole employer is EnerSys de Mexico, S.A. de CV, Powersonic, S.A. de CV or Yecoltd, S de R.L. de CV (each, a "Mexican Subsidiary"). Based on the foregoing, Participant expressly recognizes that the Plan and the benefits that Participant may derive from participation in the Plan do not establish any rights between Participant and Participant's employer, a Mexican Subsidiary, and do not form part of the conditions of Participant's employment and/or benefits provided by such Mexican Subsidiary, and any modification of the Plan or its termination shall not constitute a change or impairment of the terms and conditions of Participant's employment.

Participant further understands that Participant's participation in the Plan is a result of a unilateral and discretionary decision of the Company; therefore, the Company reserves the absolute right to amend and/or discontinue Participant's participation in the Plan at any time, without any liability to Participant.



Finally, Participant hereby declares that Participant does not reserve to himself or herself any action or right to bring any claim against the Company for any compensation or damages regarding any provision of the Plan or any benefits derived from the Plan; therefore, Participant grants a full and broad release to the Company, its shareholders, officers, agents, legal representatives, and subsidiaries with respect to any claim that may arise.

#### **Spanish Translation.**

**Reconocimiento de la subvención.** Al aceptar el fuentes, el participante reconoce que el participante ha recibido una copia del plan y el acuerdo, incluyendo este apéndice a, y que el participante ha revisado el plan y el acuerdo, incluyendo este apéndice a, en su totalidad y comprender y aceptar plenamente todas las disposiciones del plan y del acuerdo, incluido el presente Apéndice A. El participante reconoce además que el participante ha leído y aprobado expresa y explícitamente los términos y condiciones de la sección I (naturaleza de la concesión) del presente apéndice a, en el que se describen y establecen claramente los siguientes:

- (1) la participación del participante en el plan no constituye un derecho adquirido.
- (2) el plan y la participación del participante en el plan son ofrecidos por la compañía sobre una base totalmente discrecional.
- (3) la participación del participante en el plan es voluntaria.
- (4) ni la compañía ni ningún subsidiario o afiliado es responsable de cualquier disminución

**Reconocimiento de la ley laboral y declaración de política.** Al aceptar el fuentes, el participante reconoce expresamente que la compañía, con domicilio social en 2366 BERNVILLE Road, Reading, Pennsylvania 19605, Estados Unidos de América, es el único responsable de la administración del plan y que el La participación del participante en el plan y la adquisición de acciones no constituye una relación de empleo entre usted y la empresa, ya que el participante participa en el plan de manera totalmente comercial y el único empleador del participante es EnerSys de México, s.a. de CV, PowerSonic, s.a. de CV o Yecoltd, S de R.L. de CV (cada una, una "filial mexicana"). Basándose en lo anterior, el participante reconoce expresamente que el plan y los beneficios que el participante puede derivar de la participación en el plan no establecen ningún derecho entre el participante y el empleador del participante, una filial mexicana, y no forman parte de las condiciones del empleo del participante y/o los beneficios proporcionados por dicha filial mexicana, y cualquier modificación del plan o su terminación no constituirá un cambio o deterioro de los términos y condiciones del Empleo.

El participante entiende además que la participación del participante en el plan es el resultado de una decisión unilateral y discrecional de la compañía; por lo tanto, la compañía se reserva el derecho absoluto de enmendar y/o suspender la participación del participante en el plan en cualquier momento, sin ninguna responsabilidad para con el participante.

Por último, el participante declara que el participante no se reserva a sí mismo ninguna acción o derecho de presentar reclamación alguna contra la compañía por cualquier indemnización o daño relacionado con cualquier disposición del plan o cualquier beneficio derivado del plan; por lo tanto, el participante otorga una liberación completa y amplia a la compañía, sus accionistas, oficiales, agentes, representantes legales y subsidiarias con respecto a cualquier reclamación que pueda surgir.

#### **Netherlands**

**Waiver of Termination Rights.** Participant waives any and all rights to compensation or damages as a result of any termination of employment for any reason whatsoever, insofar as those rights result or may result from (a) the loss or diminution in value of such rights or entitlements under the Plan, or (b)

Participant's ceasing to have rights under, or ceasing to be entitled to any awards under the Plan as a result of such termination.

#### **Poland**

Exchange Control Information. Polish residents holding foreign securities (including Shares) and maintaining accounts abroad must report information to the National Bank of Poland on transactions and balances of the securities and cash deposited in such accounts if the value of such securities and cash (when combined with all other assets held abroad) exceeds PLN 7,000,000. If required, the reports must be filed on a quarterly basis on special forms available on the website of the National Bank of Poland. If Participant transfers funds in excess of €15,000 into Poland in connection with the sale of Shares under the Plan, the funds must be transferred via a bank account. Participant is required to retain the documents connected with a foreign exchange transaction for a period of five (5) years, as measured from the end of the year in which such transaction occurred. If Participant holds Shares acquired under the Plan and/or maintain a bank account abroad, Participant will have reporting duties to the National Bank of Poland. Participant personally is responsible for ensuring compliance with any applicable reporting obligations and should consult with Participant's personal legal advisor for additional information about such obligations.

#### **Singapore**

Sale Restriction. Participant expressly agrees that any Shares received upon exercise of the Options will not be offered for sale or sold in Singapore prior to the six (6) month anniversary of the Date of Grant, unless such sale or offer in is made after pursuant to the exemption under Part XIII Division (1) Subdivision (4) (other than Section 280) of the SFA (Chapter 289, 2006 Ed.) or pursuant to, and in accordance with the conditions of, any other applicable provision(s) of the SFA.

Securities Law Information. The grant of Options is being made in reliance on Section 273(1)(f) of the SFA, under which it is exempt from the prospectus and registration requirements under the SFA and is not made to Participant with a view to the Shares being subsequently offered for sale to any other party. The Plan has not been lodged or registered as a prospectus with the Monetary Authority of Singapore.

Director Notification Obligation. If Participant is a director, alternate director, substitute director or shadow director of the Company's Singapore Subsidiary or Affiliate, Participant is subject to certain notification requirements under the Singapore Companies Act. Among these requirements is an obligation to notify the Company's Singapore Subsidiary or Affiliate in writing when Participant receives an interest (e.g., Options or Shares) in the Company or any Subsidiary or Affiliate. This notification must be made (a) within two (2) business days of acquiring or disposing of any interest in the Company or any Subsidiary or Affiliate, or becoming a director, associate director or shadow director, whichever occurs last, and (b) upon any change in a previously disclosed interest (e.g., sale of Shares issued upon exercise and settlement of the Options).

#### **Switzerland**

Securities Law Information. The offer of the Options is considered a private offering in Switzerland and therefore is not subject to securities registration in Switzerland. Neither this document nor any other materials relating to the Options (a) constitutes a prospectus as such term is understood pursuant to article 652a of the Swiss Code of Obligations, (b) may be publicly distributed or otherwise made publicly available in Switzerland or (c) has been or will be filed with, approved, or supervised by any Swiss regulatory authority (in particular, the Swiss Financial Market Supervisory Authority (FINMA)).

#### **Turkey**

Securities Law Notification. Participant is not permitted to sell any Shares acquired under the Plan in Turkey. The Shares are currently traded on the New York Stock Exchange, which is located outside Turkey, under the ticker symbol “ENS” and Shares acquired under the Plan may be sold through this exchange.

Exchange Control Notification. Turkish residents are permitted to purchase and sell securities or derivatives traded on exchanges abroad only through a financial intermediary licensed in Turkey. Therefore, Participant may be required to appoint a Turkish broker to assist Participant with the acquisition and sale of the Shares acquired under the Plan.

**U.S. Virgin Islands**

No country-specific provisions.

**United Kingdom**

Tax Withholding. The following provision supplements Section I (Payment of Taxes) of this Appendix A:

Participant expressly agrees that Participant is liable for all Tax-Related Items and hereby covenants to pay all such Tax-Related Items, as and when requested by the Company, the Employer and/or by Her Majesty’s Revenue & Customs (“HMRC”) (or any other tax authority or any other relevant authority). Participant also hereby agrees to indemnify and keep indemnified the Company and the Employer against any Tax-Related Items that they are required to pay or withhold or have paid or will pay on Participant’s behalf to HMRC (or any other tax authority or any other relevant authority).

Notwithstanding the foregoing, if Participant is a director or executive officer of the Company (within the meaning of Section 13(k) of the Exchange Act) and the indemnification of the Company and the Employer is viewed as a loan, Participant will be ineligible for such a loan to cover income tax. In the event that Participant is a director or executive officer and income taxes are not collected from or paid by Participant within ninety (90) days after the end of the tax year in which the event giving rise to the income tax obligation arose, the amount of any uncollected income tax may constitute a benefit to Participant on which additional income tax and national insurance contributions (“NICs”) may be payable. Participant acknowledges that Participant will be responsible for reporting any income tax due on this additional benefit directly to HMRC under the self-assessment regime and for paying the Company or the Employer (as applicable) for any employee NICs due on this additional benefit which may be recovered from Participant by the Company or the Employer at any time thereafter by any of the means referred to herein.

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**ENERSYS****AWARD AGREEMENT FOR EMPLOYEES – RESTRICTED STOCK UNITS****UNDER THE  
AMENDED AND RESTATED 2017 EQUITY INCENTIVE PLAN**

THIS AWARD AGREEMENT FOR EMPLOYEES – RESTRICTED STOCK UNITS (this “Agreement”), dated as of \_\_\_\_\_, \_\_\_\_\_, is between ENERSYS, a Delaware corporation (the “Company”), and the individual identified on the signature page hereof (the “Participant”).

**BACKGROUND**

- A. Participant is currently an employee of the Company or one of its Subsidiaries.
- B. The Company desires to (i) provide Participant with an incentive to remain in the employ of the Company or one of its Subsidiaries, and (ii) increase Participant’s interest in the success of the Company by granting restricted stock units (the “Restricted Stock Units”) to Participant to acquire shares of Common Stock (“Shares”) upon the satisfaction of the terms and conditions set forth in this Agreement.
- C. This grant of the Restricted Stock Units is (i) made pursuant to the EnerSys Amended and Restated 2017 Equity Incentive Plan (the “Plan”); (ii) made subject to the terms and conditions of this Agreement and Appendix A; (iii) made in the sole discretion of the Company’s Compensation Committee; and (iv) the grant of the Restricted Stock Units is exceptional, voluntary and occasional and does not create any contractual or other right to receive future Restrictive Stock Units, or benefits in lieu of Restricted Stock Units, even if Restricted Stock Units have been granted in the past. These Restricted Stock Units shall not be construed or interpreted in anyway as a component of Participant’s base salary for services performed on the behalf of the Company, and Company employees are not required, as a condition of their employment, to accept any Restricted Stock Units stated herein. Unless otherwise defined in this Agreement, any capitalized terms in this Agreement shall have the meaning ascribed to such terms in the Plan.

**AGREEMENT**

NOW, THEREFORE, in consideration of the covenants and agreements contained in this Agreement, the parties hereto, intending to be legally bound, agree as follows:

1. **Definitions; Incorporation of Plan Terms.** Capitalized terms used in this Agreement without definition shall have the meanings assigned to them in the Plan. This Agreement and the Restricted Stock Units shall be subject to the Plan. The terms of the Plan and the Background provisions of this Agreement are hereby incorporated into this Agreement by reference and made a part hereof as if set forth in their entirety in this Section 1. If there is a conflict or an inconsistency between the Plan and this Agreement, the Plan shall govern; except that in the event such a conflict or inconsistency relates to the prohibitions in Section 4 of this Agreement, then the definitions in this Agreement shall control.

**“Competitive Product or Service”** means the design, manufacture, importing, development, distribution, marketing, or sale of:

- (a) motive power batteries, chargers, products, and accessories (including, without limitation, batteries, chargers and accessories for industrial forklift trucks, other materials handling equipment, transportation applications, and other electric powered vehicles or machinery, as well as any software or technology related thereto), and each and every component thereof;
- (b) reserve power batteries, chargers, products, and accessories (including, without limitation, standby batteries and power supply equipment for wireless and wireline

telecommunications applications, such as central telephone exchanges, microwave relay stations, and switchgear and other instrumentation control systems and those used in utility industries, uninterruptible power supplies and other applications requiring stored energy solutions including medical, aerospace and defense systems, and outdoor equipment enclosure solutions, as well as any software or technology related thereto), and each and every component thereof;

(c) stationary and DC power systems, battery management systems, power control systems, stored energy solutions, renewable energy power systems, energy pipelines, maintenance services, applications for computer and computer-controlled systems, specialty power applications, software monitoring and control systems, and any products, accessories, software, technology, consulting services and/or turnkey services relating thereto (including the design, engineering, installation or service thereof), including each and every component thereof; and/or

(d) any other product, service, software, or technology development of any kind or type that the Company or any of its Subsidiaries or Affiliates (i) now makes, designs, manufactures, imports, develops, distributes, markets, researches or sells, or (ii) makes, designs, manufactures, imports, develops, distributes, markets, researches or sells at any time during Participant's employment with the Company and/or any of its Subsidiaries, such as, for example, lithium-ion, nickel-zinc cells or batteries, enclosures or lithium products, including but not limited to those used in space, defense, medical, transportation, industrial, or other stored energy solution applications, and/or hydrogen fuel cells.

"Competitor" means Participant or any other person or organization engaged in (or about to become engaged in) research or development, production, marketing, leasing, selling, or servicing of a Competitive Product or Service.

"Confidential Information" means information that is created and used in the Company's business (or that of any of its Subsidiaries) and which is not generally known by the public, including but not limited to: trade secrets proprietary or customized software and databases; manufacturing processes and methods, product formulas, research and development; new product plans; the Company's confidential records (or those of any of its Subsidiaries) pertaining to its existing or potential customers, including key customer contact information, contract terms and related information; confidential business opportunities; merger or acquisition activity (including targets, opportunities, or prospects); confidential information regarding suppliers or vendors, including key supplier or vendor contact information, contract terms and related information; strategies for advertising and marketing; confidential business processes and strategies, including training, policies and procedures; personnel composition (wages, specialization, etc.); financial and revenue data and reports, including pricing, quoting and billing methods; and any other business information that the Company and/or any of its Subsidiaries maintain as confidential. Participant specifically understands and agrees that the term Confidential Information also includes all confidential information of a third party that may be communicated to, acquired by, learned of, or developed by Participant in the course of or as a result of Participant's employment with the Company and/or any of its Subsidiaries. Confidential Information does not include information that is or may become known to Participant or to the public from sources outside the Company and/or any of its Subsidiaries and through means other than a breach of this Agreement or disclosed by Participant after written approval from the Company.

"Customer" means any person(s) or entity(ies) that, within twenty-four (24) months prior to the Last Day (defined below), Participant, directly or Indirectly (e.g., through employees whom Participant supervised): (a) provided products or services in connection with the Company's business (or that of any of its Subsidiaries); and/or (b) provided written proposals concerning receiving products or services from the Company (and/or any of its Subsidiaries).

"Indirectly" means that Participant shall not assist others in performing business activities that Participant is prohibited from engaging in directly under this Agreement.

"Last Day" means Participant's last day of employment with the Company and/or its Subsidiaries regardless of the reason for Participant's separation, including voluntary or involuntary. It does not

encompass Participant's direct employment between Company Subsidiaries and/or Affiliates. As set forth below, such movement shall be deemed as unbroken and as continued employment under this Agreement and these covenants.

"Restricted Geographic Area" means the territory (i.e.: (i) country(ies), (ii) state(s), (iii) county(ies), or (iv) city(ies)) in which, during the twenty-four (24) months prior to the Last Day, Participant: (a) provided services on behalf of the Company and/or any of its Subsidiaries (or in which Participant supervised, directly or Indirectly, the servicing activities), and/or (b) solicited Customers or otherwise sold products or services on behalf of the Company and/or any of its Subsidiaries (or in which Participant supervised, directly or Indirectly, the solicitation or servicing activities related to such Customers).

"Restricted Period" means the period of Participant's employment with the Company and/or any of its Subsidiaries and a period twelve (12) months after the Last Day. Participant recognizes that this durational term is reasonably and narrowly tailored to the Company's legitimate business interest and need for protection with each position Participant holds at the Company and/or any of its Subsidiaries.

"Trade Secret" means information defined as a trade secret under applicable state law or the Defend Trade Secrets Act of 2016.

"Wrongful Competition" means except as modified by the Wrongful Competition and/or Wrongful Solicitation Exceptions): During the Restricted Period and within the Restricted Geographic Area, Participant shall not, directly or Indirectly, perform the same or similar responsibilities Participant performed for the Company and/or any of its Subsidiaries during the twenty-four (24) months prior to the Last Day in connection with a Competitive Product or Service. Notwithstanding the foregoing, Participant may accept employment with a Competitor whose business is diversified, provided that: (a) Participant shall not be engaged in working on or providing Competitive Products or Services or otherwise use or disclose Confidential Information or Trade Secrets; and (b) the Company receives written assurances from the Competitor and Participant that are satisfactory to the Company that Participant shall not work on or provide Competitive Products or Services, or otherwise use or disclose Confidential Information or Trade Secrets. In addition, nothing in this Agreement is intended to prevent Participant from investing Participant's funds in securities of a person engaged in a business that is directly competitive with the Company if the securities of such a person are listed for trading on a registered securities exchange or actively traded in an over-the-counter market and Participant's holdings represent less than one percent (1%) of the total number of outstanding shares or principal amount of the securities of such a person.

"Wrongful Solicitation" means (except as modified by the Wrongful Competition and/or Wrongful Solicitation Exceptions):

i. With respect to the nonsolicitation and non-inducement of Customers: During the Restricted Period and in connection with a Competitive Product or Service, Participant shall not directly or Indirectly: (i) solicit or attempt to solicit any Customer; or (ii) induce or encourage any Customer to terminate a relationship with the Company and/or any of its Subsidiaries or otherwise to cease accepting services or products from the Company and/or any of its Subsidiaries; and/or

ii. With respect to the non-solicitation and noninducement of employees: During the Restricted Period, Participant shall not directly or Indirectly: (i) solicit, recruit, encourage (or attempt to solicit, recruit or encourage), or by assisting others in soliciting, recruiting or encouraging, any Company employees or former employees (or those of any of Company's Subsidiaries) with whom Participant worked, had business contact, or about whom Participant gained non-public or Confidential Information ("Employees or Former Employees"); (ii) contact or communicate with Employees or Former Employees for the purpose of inducing, assisting, encouraging and/or facilitating them to terminate their employment with the Company and/or any of its Subsidiaries or find employment or work with another person or entity; (iii) provide or pass along to any person or entity the name, contact and/or background information about any

Employees or Former Employees or provide references or any other information about them; (iv) provide or pass along to Employees or Former Employees any information regarding potential jobs or entities or persons for which to work, including but not limited to job openings, job postings, or the names or contact information of individuals or companies hiring people or accepting job applications; and/or (v) offer employment or work to any Employees or Former Employees. For purposes of this covenant, "Former Employees" shall refer to employees who are not employed by the Company and/or any of its Subsidiaries at the time of the attempted recruiting or hiring, but were employed by or working for the Company and/or any of its Subsidiaries in the three (3) months prior to the time of the attempted recruiting or hiring and/or interference; and/or

iii. With respect to the non-interference of vendors and suppliers: During the Restricted Period, Participant shall not directly or Indirectly interfere with the Company's relationships (or that of any of its Subsidiaries) with its vendors or suppliers in any way that would impair the Company's relationship (or that of any of its Subsidiaries) with such vendors or suppliers, including by reducing, diminishing or otherwise restricting the flow of supplies, services or goods from the vendors or suppliers to the Company and/or any of its Subsidiaries.

"Wrongful Competition and/or Wrongful Solicitation Exceptions" mean:

(a) State of Washington Exceptions. If any Participant is employed in the State of Washington: (a) all references to "the Company" shall be replaced with "Employer"; and (b) any section in this Agreement that is determined to be a non-competition covenant under Washington law for Washington-based employees is only effective and enforceable once Participant earns more than the annual statutory compensation minimum, on an annualized basis, for the enforcement of non-competition covenants as found in Title 49 RCW. Participant further agrees that all terms of this Agreement that are determined to be non-solicitation agreements under applicable Washington law shall be enforceable regardless of how much Participant earns in compensation. The annual statutory compensation minimum for the enforcement of non-competition covenants shall not affect the enforceability of any other term of this Agreement. Further, Participant acknowledges and agrees that no term of this Agreement shall be deemed a non-competition covenant if this Agreement is entered into by a person purchasing or selling the goodwill of a business or otherwise acquiring or disposing of an ownership interest.

(b) This definition of "Restricted Geographic Area" is amended for any Washington-based Participant:

**"Restricted Geographic Area"** means the territory in which, during the twenty-four (24) months prior to the Last Day, Participant: (a) provided services on behalf of the Company and/or any of its Subsidiaries (or in which Participant supervised the servicing activities), and/or (b) solicited Customers or otherwise sold products or services on behalf of the Company and/or any of its Subsidiaries (or in which Participant supervised the solicitation or servicing activities related to such Customers). "

(c) General Exceptions. Participant understands that Participant's non-compete and/or non-solicitation obligations in this Agreement shall not apply to Participant if Participant is covered under applicable state or local law prohibiting non-competes or non-solicits, including on the basis of Participant's income at the time of enforcement. Examples of such prohibitions include, but are not limited to: California (Wrongful Competition and Wrongful Solicitation), the District of Columbia (Wrongful Competition), Illinois (low wage), Maryland (low wage), Oklahoma

(wrongful competition), North Dakota (Wrongful Competition and Wrongful Solicitation), Rhode Island (low wage), and Virginia (low wage).

2. **Grant of Restricted Stock Units.**

(i) Subject to the provisions of this Agreement and pursuant to the provisions of the Plan, the Company hereby grants to Participant the number of Restricted Stock Units specified on the signature page of this Agreement. The Company shall credit to a bookkeeping account maintained by the Company, or a third party on behalf of the Company, for Participant's benefit, the number of Restricted Stock Units granted hereunder, each of which shall be deemed to be the equivalent of one Share.

(ii) If the Company declares and pays a dividend or a distribution on Common Stock in the form of cash, then a number of additional Restricted Stock Units shall be credited to Participant as of the payment date for such dividend or distribution equal to the result of dividing (i) the product of the total number of Restricted Stock Units credited to Participant as of the record date for such dividend or distribution (other than previously settled or forfeited Restricted Stock Units) times the per share amount of such dividend or distribution, by (ii) the Fair Market Value of one Share as of the record date for such dividend or distribution. Any Restricted Stock Units credited to Participant under this subsection shall be or become vested or forfeited (as appropriate) to the same extent as the underlying Restricted Stock Units.

(iii) If the Company declares and pays a dividend or distribution on the Common Stock in the form of additional shares, or there occurs a forward split of Common Stock, then a number of additional Restricted Stock Units shall be credited to Participant as of the payment date for such dividend or distribution or forward split equal to (i) the number of Restricted Stock Units credited to Participant as of the record date for such dividend or distribution or split (other than previously settled or forfeited Restricted Stock Units), multiplied by (ii) the number of additional shares actually paid as a dividend or distribution or issued in such split in respect of each outstanding Share. Any Restricted Stock Units credited to Participant under this subsection shall be or become vested or forfeited (as appropriate) to the same extent as the underlying Restricted Stock Unit.

3. **Terms and Conditions.**

(iv) Vesting. All of the Restricted Stock Units shall initially be unvested. Twenty-five percent (25%) of the Restricted Stock Units (rounded up to the nearest whole number) shall vest on the first anniversary of the date of this Agreement and on each of the next three (3) successive anniversaries thereof (each such anniversary, a "Vesting Date") unless previously vested or forfeited in accordance with the Plan or this Agreement (the "Normal Vesting Schedule").

a. Any Restricted Stock Units that fail to vest because the employment condition is not satisfied shall be forfeited, subject to the special provisions set forth in Subsections 3(a)(ii) through 3(a)(iv).

b. If Participant's employment terminates due to death or Permanent Disability or in the event of a Change in Control where the holders of the Company's Common Stock receive cash consideration for their Common Stock in consummation of the Change in Control, Restricted Stock Units not previously vested shall immediately become vested. With respect to any of the Restricted Stock Units that constitute "deferred compensation" as defined under Code Section 409A, for purposes of this Section 3(a)(ii) and any acceleration of the Restricted Stock Units upon a Change in Control, a Change in Control shall be deemed to occur only if, in addition to the requirements set forth in the



Plan, the Change in Control also meets the requirements of IRS Reg. §1.409A-3(i)(5), to the extent necessary to avoid the imposition of taxes thereunder.

c. If on or within two years after a Change in Control (other than a Change in Control described in Section 3(a)(ii) above), Participant terminates employment for Good Reason, or is terminated by the Company without Cause, Restricted Stock Units not previously vested shall immediately become vested.

d. In the event of Participant's Retirement, the Compensation Committee may determine, in its sole discretion, whether and the manner in which Restricted Stock Units not previously vested (or any portion thereof) shall be vested and be settled pursuant to Section 3(d). In the absence of Compensation Committee action, upon such Retirement, the Restricted Stock Units which have not vested as of the date of such termination shall vest pro-rata as of the date of Participant's Retirement. All such Restricted Stock Units which shall have not vested as a result of such Retirement shall be immediately and automatically forfeited without consideration of any kind and to the extent that the date Participant first becomes eligible for Retirement and the vesting date under this Section 3(a)(iv) are in different tax years, any amount payable under this subsection shall constitute the payment of nonqualified deferred compensation, subject to the requirements of Code Section 409A unless an exemption under the treasury regulations is available.

The number of unvested Restricted Stock Units that shall vest pro-rata upon Retirement (absent action to the contrary by the Compensation Committee) described in the penultimate sentence of the foregoing paragraph of this Section 3(a)(iv) shall be calculated by multiplying (A) the quotient obtained by dividing the number of completed months that Participant was employed by the Company or one of its Subsidiaries since the most recent Vesting Date by 48, by (B) the number of Restricted Stock Units subject to this Agreement.

(v)Restrictions on Transfer. Until the earlier of the applicable vesting date under the Normal Vesting Schedule, the date of a termination of employment due to death or Permanent Disability, the date of a Change in Control described in Section 3(a)(ii), or the date of a termination of employment on or within two years after a Change in Control described in Section 3(a)(iii), or as otherwise provided in the Plan, no transfer of the Restricted Stock Units or any of Participant's rights with respect to the Restricted Stock Units, whether voluntary or involuntary, by operation of law or otherwise, shall be permitted. Unless the Compensation Committee determines otherwise, upon any attempt to transfer any Restricted Stock Units or any rights in respect of the Restricted Stock Units before the earlier of the applicable vesting date under the Normal Vesting Schedule, the date of a termination of employment due to death or Permanent Disability, the date of a Change in Control described in Section 3(a)(ii), or the date of a termination of employment on or within two years after a Change in Control described in Section 3(a)(iii), such unit, and all of the rights related to such unit, shall be immediately and automatically forfeited by Participant without consideration of any kind.

(vi)Forfeiture. Upon termination of Participant's employment with the Company or a Subsidiary for any reason other than death, Permanent Disability or one of the reasons set forth in Sections 3(a)(iii) and (iv), Participant shall forfeit any and all Restricted Stock Units which have not vested as of the date of such termination and such units shall revert to the Company without consideration of any kind.

(vii)Settlement. Restricted Stock Units not previously forfeited shall be settled on the earlier of the applicable Vesting Date under the Normal Vesting Schedule, the date of a termination of employment due to death or Permanent Disability, the date of a Change in Control described in

Section 3(a)(ii), the date of a termination of employment on or within two years after a Change in Control described in Section 3(a)(iii), or, unless otherwise provided by the Compensation Committee, the date of a termination of employment due to Retirement described in Section 3(a)(iv), by delivery of one Share for each Restricted Stock Unit being settled or, if determined by the Compensation Committee in its sole discretion, by a payment of cash equal to the Fair Market Value of one Share.

4. **Wrongful Competition and Wrongful Solicitation.**

Participant understands and agrees that Participant shall not engage in Wrongful Competition or Wrongful Solicitation.

5. **Confidential Information and Trade Secrets.**

(viii)Access and Use. Participant expressly acknowledges and agrees that, by virtue of Employee's employment with the Company or a Subsidiary and exercise of Participant's duties for the Company or a Subsidiary, Participant will have access to and will use certain Confidential Information and Trade Secrets, and that such Confidential Information and Trade Secrets constitute confidential and proprietary business information and/or Trade Secrets of the Company or its Subsidiaries, all of which is the Company's exclusive property. Accordingly, Participant agrees that Participant shall not, and shall not permit any other person or entity to, directly or Indirectly, without the prior written consent of the Company: (a) use Confidential Information or Trade Secrets for the benefit of any person or entity other than the Company or its Subsidiaries; (b) remove, copy, duplicate or otherwise reproduce any document or tangible item embodying or pertaining to any of the Confidential Information or Trade Secrets, except as required to perform responsibilities for the Company or its Subsidiaries; and (c) while employed and thereafter, publish, release, disclose, deliver or otherwise make available to any third party any Confidential Information or Trade Secrets by any communication, including oral, documentary, electronic or magnetic information transmittal device or media.

(ix)Duration of Confidential Information and Trade Secrets. This obligation of non-disclosure and non-use shall last so long as the information remains confidential. Participant, however, understands that, if Participant primarily lives and works in any state requiring a temporal limit on non-disclosure clauses, Confidential Information shall be protected for no less than two (2) years following the Last Day. Participant also understands that Trade Secrets are protected by statute and are not subject to any time limits. Participant also agrees to contact the Company before using, disclosing, or distributing any Confidential Information or Trade Secrets if Participant has any questions about whether such information is protected information.

(x)Immunity under the Defend Trade Secrets Act of 2016. Participant shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a Trade Secret that: (a) is made (i) in confidence to a Federal, State, or local government official, either directly or Indirectly, or to an attorney, and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Disclosures to attorneys, made under seal, or pursuant to court order are also protected in certain circumstances under said Act.

(xi)Additional Legal Exceptions to Non-Disclosure Obligations. Nothing in this Agreement shall be construed to prevent disclosure of Confidential Information as may be required by applicable law or regulation, especially with respect to a Federal or State administrative agency, equivalent State agency, or pursuant to the valid order of a court of competent jurisdiction or an authorized government agency, provided that the disclosure does not exceed the extent of disclosure required by such law, regulation, or order. With respect to an order of a court of competent jurisdiction, Participant will promptly provide written notice to the General Counsel of

the Company of any such order. If the Company chooses to seek a protective order or other remedy, Employee will cooperate fully with the Company. If the Company does not obtain a protective order or other remedy or waives compliance with certain provisions of this Agreement, Participant will furnish only that portion of the Confidential Information which, in the written opinion of counsel, is legally required to be disclosed and will use Participant's best efforts to obtain assurances that confidential treatment will be accorded to such disclosed Confidential Information. In addition, nothing in this Agreement in any way prohibits or is intended to restrict or impede, and shall not be interpreted or understood as restricting or impeding, Participant from exercising Participant's rights under Section 7 of the National Labor Relations Act or otherwise disclosing information as permitted by law.

(xii)Return of Property. Participant agrees that upon the Last Day (or earlier if requested by the Company) to immediately return to the Company all property and information belonging to the Company or its Subsidiaries (in electronic or hard-copy form). Participant shall also disclose to Company any passwords for Participant's computer or other access codes for anything associated with Participant's employment with the Company and/or its Subsidiaries, and shall not delete or modify any property prior to its return to the Company. Participant also shall provide the Company with access to any personal computer, tablet, phone, external hard drives, flash drives, cloud-based storage platforms, or any other personal device or storage location with Company information, whether or not such information is designated as confidential or proprietary, so that Company may remove or delete any Company information.

6. Taxes.

(xiii)This Section 6(a) applies only to (a) all Participants who are U.S. employees, and (b) to those Participants who are employed by a Subsidiary of the Company that is obligated under applicable local law to withhold taxes with respect to the settlement of the Restricted Stock Units. Such Participant shall pay to the Company or a designated Subsidiary, promptly upon request, and in any event at the time Participant recognizes taxable income, or withholding of employment taxes is required, with respect to the Restricted Stock Units, an amount equal to the taxes the Company determines it is required to withhold under applicable tax laws with respect to the Restricted Stock Units. Participant may satisfy the foregoing requirement by making a payment to the Company in cash or, in accordance with rules and regulations promulgated by the Compensation Committee, by delivering already owned unrestricted Shares or by having the Company withhold a number of Shares in which Participant would otherwise become vested under this Agreement, in each case, having a value equal to the maximum amount of tax permitted to be withheld that will not result in adverse financial accounting consequences to the Company. Such shares shall be valued at their fair market value on the date as of which the amount of tax to be withheld is determined.

(xiv)Participant acknowledges that the tax laws and regulations and financial accounting principles and guidance applicable to the Restricted Stock Units and the disposition of the shares following the settlement of Restricted Stock Units are complex and subject to change.

7. Securities Laws Requirements. The Company shall not be obligated to transfer any shares following the settlement of Restricted Stock Units to Participant free of a restrictive legend if such transfer, in the opinion of counsel for the Company, would violate the Securities Act of 1933, as amended (the "Securities Act") (or any other federal or state statutes having similar requirements as may be in effect at that time).

8. No Obligation to Register. The Company shall be under no obligation to register any shares as a result of the settlement of the Restricted Stock Units pursuant to the Securities Act or any other federal or state securities laws.

9. **Market Stand-Off.** In connection with any underwritten public offering by the Company of its equity securities pursuant to an effective registration statement filed under the Securities Act for such period as the Company or its underwriters may request (such period not to exceed 180 days following the date of the applicable offering), Participant shall not, directly or indirectly, sell, make any short sale of, loan, hypothecate, pledge, offer, grant or sell any option or other contract for the purchase of, purchase any option or other contract for the sale of, or otherwise dispose of or transfer, or agree to engage in any of the foregoing transactions with respect to, any of the Restricted Stock Units granted under this Agreement or any shares resulting the settlement thereof without the prior written consent of the Company or its underwriters.

10. **Protections Against Violations of Agreement.** No purported sale, assignment, mortgage, hypothecation, transfer, pledge, encumbrance, gift, transfer in trust (voting or other) or other disposition of, or creation of a security interest in or lien on, any of the Restricted Stock Units by any holder thereof in violation of the provisions of this Agreement or the Certificate of Incorporation or the Bylaws of the Company, will be valid, and the Company will not transfer any shares resulting from the settlement of Restricted Stock Units on its books nor will any of such shares be entitled to vote, nor will any dividends be paid thereon, unless and until there has been full compliance with such provisions to the satisfaction of the Company. The foregoing restrictions are in addition to and not in lieu of any other remedies, legal or equitable, available to enforce such provisions.

11. **Rights as a Stockholder.** Participant shall not possess the right to vote the shares underlying the Restricted Stock Units until the Restricted Stock Units have been settled in accordance with the provisions of this Agreement and the Plan.

12. **Survival of Terms.** This Agreement shall apply to and bind Participant and the Company and their respective permitted assignees and transferees, heirs, legatees, executors, administrators and legal successors. The terms of Sections 4-6,12, 13, 15, 17-21 and 23 shall expressly survive the forfeiture of the Restricted Stock Units and the termination of this Agreement.

13. **Notices.** All notices and other communications provided for herein shall be in writing and shall be delivered by hand or sent by certified or registered mail, return receipt requested, postage prepaid, addressed, if to Participant, to Participant's attention at the mailing address set forth on the signature page of this Agreement (or to such other address as Participant shall have specified to the Company in writing) and, if to the Company, to the Company's office at 2366 Bernville Road, Reading, Pennsylvania 19605, Attention: General Counsel (or to such other address as the Company shall have specified to Participant in writing). All such notices shall be conclusively deemed to be received and shall be effective, if sent by hand delivery, upon receipt, or if sent by registered or certified mail, on the fifth day after the day on which such notice is mailed.

14. **Waiver.** The waiver by either party of compliance with any provision of this Agreement by the other party shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by such party of a provision of this Agreement.

15. **Authority of the Administrator.** The Compensation Committee shall have full authority to interpret and construe the terms of the Plan and this Agreement, including but not limited to making all determinations regarding eligibility, vesting, forfeiture and the calculation of the number of Restricted Stock Units awarded or credited under this Agreement. The determination of the Compensation Committee as to any such matter of interpretation, construction or calculation shall be final, binding and conclusive.

16. **Representations.** Participant has reviewed with Participant's own tax advisors the applicable tax (U.S., foreign, state, and local) consequences of the transactions contemplated by this Agreement. Participant is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. Participant understands that Participant (and not the Company) shall

be responsible for any tax liability that may arise as a result of the transactions contemplated by this Agreement.

17. **Investment Representation.** Participant hereby represents and warrants to the Company that Participant, by reason of Participant's business or financial experience (or the business or financial experience of Participant's professional advisors who are unaffiliated with and who are not compensated by the Company or any affiliate or selling agent of the Company, directly or indirectly), has the capacity to protect Participant's own interests in connection with the transactions contemplated under this Agreement.

18. **Relief, Remedies and Enforcement.** Participant acknowledges and agrees that a breach of any provision of this Agreement by Participant will cause serious and irreparable injury to the Company that will be difficult to quantify and that money damages alone shall not adequately compensate the Company. In the event of a breach or threatened or intended breach of this Agreement by Participant, the Company shall be entitled to injunctive relief, both temporary and final, enjoining and restraining such breach or threatened or intended breach. Participant further agrees that should Participant breach this Agreement, the Company will be entitled to any and all other legal or equitable remedies available to it. Participant shall also pay the Company all reasonable costs and attorneys' fees the Company incurred because of Participant's breach of any provisions of this Agreement.

19. **Entire Agreement; Language; Governing Law.** This Agreement and the Plan and the other related agreements expressly referred to herein set forth the entire agreement and understanding between the parties hereto and supersedes all prior agreements and understandings relating to the subject matter hereof. Notwithstanding the foregoing, Participant will continue to be bound by all prior agreements Participant entered into with the Company relating to confidentiality, trade secrets, wrongful competition, wrongful solicitation, and restrictive covenants ("Prior Restrictive Agreements"). This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same agreement. The headings of sections and subsections herein are included solely for convenience of reference and shall not affect the meaning of any of the provisions of this Agreement. This Agreement has been prepared in English and may be translated into one or more other languages. If there is a discrepancy between or among any of these versions, the English version shall prevail. Unless otherwise restricted by applicable law, this Agreement may be executed electronically. Subject to the following exceptions, this Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, USA, other than its conflicts of laws principles:

(xv)State of Washington Choice of Law/Venue. For Participants employed by the Company in the State of Washington, the Wrongful Competition and Wrongful Solicitation covenants in this Agreement shall be construed according to the laws of the State of Washington, and any action arising out of or relating to those covenants may only be brought and prosecuted in the courts of the State of Washington or in the United States District Court for the Western District of Washington.

(xvi)State of California Choice of Law/Venue. For Participants employed by the Company in the State of California, the Wrongful Competition and Wrongful Solicitation covenants in this Agreement shall be construed according to the laws of the State of California, and any action arising out of or relating to this Agreement may only be brought and prosecuted in the courts of the State of California or in the United States District Court for the Northern District of California.

20. **Severability and Reformation.** The parties hereto recognize that the laws and public policies of various jurisdictions may differ as to the validity and enforceability of covenants similar to those set forth herein. It is the intention of the parties that the provisions hereof be enforced to the fullest extent permissible under the laws and policies of each jurisdiction in which enforcement may be sought, and that the unenforceability (or the modification to conform to such laws or policies) of any provisions hereof shall

not render unenforceable, or impair, the remainder of the provisions hereof. Accordingly, if at the time of enforcement of any provision hereof, a court of competent jurisdiction holds that the restrictions stated herein are unreasonable under circumstances then existing, the parties hereto agree that the maximum period, scope, or geographic area reasonable under such circumstances will be substituted for the stated period, scope or geographical area and that such court shall be allowed to revise the restrictions contained herein to cover the maximum period, scope and geographical area permitted by law. Furthermore, if any such restriction is held to be void but would be valid if part of the wording (including in particular, but without limitation, the definitions) were deleted, such restriction will apply with so much of the wording deleted as may be necessary to make it valid or effective.

21. **Amendments; Construction.** The Compensation Committee may amend the terms of this Agreement prospectively or retroactively at any time, but (unless otherwise provided under Section 18 of the Plan) no such amendment shall impair the rights of Participant hereunder without Participant's consent. To the extent the terms of Section 4 conflict with any prior agreement between the parties related to such subject matter, the terms of Section 4, to the extent more restrictive, shall supersede such conflicting terms and control. Headings to Sections of this Agreement are intended for convenience of reference only, are not part of this Agreement and shall have no effect on the interpretation hereof.

22. **Acceptance.** Participant hereby acknowledges receipt of a copy of the Plan and this Agreement. Participant has read and understands the terms and provisions thereof, and accepts the shares of Restricted Stock Units subject to all the terms and conditions of the Plan and this Agreement. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Compensation Committee upon any questions arising under this Agreement.

23. **Miscellaneous.**

(xvii)**No Rights to Grants or Continued Employment.** Participant acknowledges that the award granted under this Agreement is not an employment right, and is being granted at the sole discretion of the Compensation Committee. Participant shall not have any claim or right to receive grants of Restricted Stock Units or other awards under the Plan. Neither the Plan nor this Agreement, or any action taken or omitted to be taken hereunder or thereunder, shall be deemed to create or confer on Participant any right to be retained as an employee of the Company or any Subsidiary or other Affiliate thereof, or to interfere with or to limit in any way the right of the Company or any Affiliate or Subsidiary thereof to terminate the employment of Participant at any time.

(xviii)**Unfunded Plan.** No Participant and no beneficiary or other persons claiming under or through Participant, shall have any right, title, or interest by reason of any award under the Agreement to any particular assets of the Company or any Subsidiary or other Affiliate, or any Common Stock allocated or reserved for the purposes of this Agreement or subject to any Option as set forth herein. The Company shall not be required to establish any fund or make any other segregation of assets to assure satisfaction of the Company's obligations under the Agreement or Plan.

(xix)**No Restriction on Right of Company to Effect Corporate Changes.** Neither the Plan nor this Agreement shall affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations, or other changes in the Company's capital structure or its business, or any merger or consolidation of the Company, or any issue of stock or of options, warrants or rights to purchase stock or of bonds, debentures, preferred, or prior preference stocks whose rights are superior to or affect the Common Stock or the rights thereof or which are convertible into or exchangeable for Common Stock, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of the assets or business of the Company, or any other corporate act or proceeding, whether of a similar character or otherwise.

(xx)Assignment. The Company shall have the right to assign any of its rights, and by accepting these Restricted Stock Units, Participant hereby consents to an assignment. The Company shall have the right to delegate any of its duties under this Agreement to any of its Affiliates. The terms and conditions of this Agreement shall be binding upon and shall inure to the benefit of the permitted successors and assigns of the Company (including any person or entity which acquires all or substantially all of the assets of the Company).

(xxi)Adjustments. The Restricted Stock Units shall be adjusted or terminated as contemplated by Section 16(a) of the Plan, including, in the discretion of the Compensation Committee, rounding to the nearest whole number of Restricted Stock Units or Shares, as applicable.

(xxii)Clawback Policy. The Restricted Stock Units, and any cash or Shares delivered upon settlement of the Restricted Stock Units shall be subject to the terms of the clawback policy adopted by the Board of Directors (as such policy may be amended from time-to-time). Each payment in settlement of the Restricted Stock Units will be delivered as described above and taxable upon delivery in accordance with applicable tax law, but for purposes of California Labor Code Section 221, and any successor provision, will not be considered "wages" and will not be considered "earned" until the end of the second complete calendar year following delivery of the payment. For purposes of the foregoing, Participant expressly and explicitly authorizes the Company to issue instructions, on Participant's behalf, to any brokerage firm and/or third party administrator engaged by the Company to hold Participant's Shares, and other amounts acquired under the Plan to re-convey, transfer or otherwise return such Shares and/or other amounts to the Company.

24. **Code Section 409A**. Notwithstanding anything in this Agreement to the contrary, the receipt of any benefits under this Agreement as a result of a termination of employment shall be subject to satisfaction of the condition precedent that Participant undergo a "separation from service" within the meaning of Treas. Reg. § 1.409A-1(h) or any successor thereto. In addition, if a Participant is deemed to be a "specified employee" within the meaning of that term under Code Section 409A(a)(2)(B), then with regard to any payment or the provisions of any benefit that is required to be delayed pursuant to Code Section 409A(a)(2)(B), such payment or benefit shall not be made or provided prior to the earlier of (i) the expiration of the six (6) month period measured from the date of Participant's "separation from service" (as such term is defined in Treas. Reg. § 1.409A-1(h)), or (ii) the date of Participant's death (the "Delay Period"). Within ten (10) days following the expiration of the Delay Period, all payments and benefits delayed pursuant to this Section (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to Participant in a lump sum, and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein.

25. **Survival**. All wrongful competition, wrongful solicitation, and confidential information/trade secret obligations in this Agreement shall survive the Last Day and the termination or expiration of this Agreement, and no dispute regarding any other provisions of this Agreement or regarding Participant's employment or the termination of Participant's employment shall prevent the operation and enforcement of these obligations.

26. **Transfer of Employment**. In the event of a transfer of Participant's employment between Company affiliates, this Agreement shall continue in effect. The succeeding Company affiliate shall succeed to all rights of the prior Company affiliate under this Agreement, including the right to enforce this Agreement (so long as this Agreement has not otherwise been superseded).

27. **Electronic Signature**. Participant agrees that the Company may enforce this Agreement with a copy for which Participant has provided an electronic signature, and that such electronic signature may be satisfied by procedures that the Company or a third party designated by the Company has established or may establish for an electronic signature system, and Participant's electronic signature

shall be the same as, and shall have the same force and effect as, Participant's written signature. By electronically accepting this Agreement, Participant agrees to the following: "This electronic contract contains my electronic signature, which I have executed with the intent to sign this Agreement."

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THIS AGREEMENT SHALL BE NULL AND VOID AND UNENFORCEABLE BY THE PARTICIPANT UNLESS SIGNED AND DELIVERED TO THE COMPANY NOT LATER THAN THIRTY (30) DAYS SUBSEQUENT TO THE DATE OF GRANT SET FORTH BELOW.

BY SIGNING THIS AGREEMENT, THE PARTICIPANT IS HEREBY CONSENTING TO THE USE AND TRANSFER OF THE PARTICIPANT'S PERSONAL DATA BY THE COMPANY TO THE EXTENT NECESSARY TO ADMINISTER AND PROCESS THE AWARDS GRANTED UNDER THIS AGREEMENT.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer and Participant has executed this Agreement, both as of the day and year first above written.

ENERSYS

By:  
Name: David M. Shaffer  
Title: President & Chief Executive Officer

PARTICIPANT

Name:  
Address:

Date of Grant: \_\_\_\_\_

Number of Restricted Stock Units: \_\_\_\_\_

**APPENDIX A**  
**to**  
**Award Agreement for Employees – Restricted Stock Units**  
**Under the Amended and Restated 2017 Equity Incentive Plan**

This Appendix A contains supplemental terms and conditions for awards of Restricted Stock Units granted as of the Date of Grant set forth in the Agreement under the Amended and Restated 2017 Equity Incentive Plan to Participants who reside outside the United States or who are otherwise subject to the laws of a country other than the United States.

Participant has also received the Agreement applicable to the Restricted Stock Units set forth therein. The Agreement, together with this Appendix A and the Plan are the terms and conditions of the grant of Restricted Stock Units set forth in the Agreement. To the extent that this Appendix A amends, deletes or supplements any terms of the Agreement, this Appendix A shall control. Capitalized terms used but not defined herein shall have the same meanings ascribed to them in the Agreement.

**Section I** of this Appendix A contains special terms and conditions that govern the Restricted Stock Units outside of the United States. **Section II** of this Appendix A contains special terms and conditions that govern the Restricted Stock Units in all countries, excluding Bulgaria, Czech Republic, France, Germany, Italy, Netherlands, Poland, Switzerland and the United Kingdom. **Section III** of this Appendix A contains special terms and conditions that govern the Restricted Stock Units in Bulgaria, Czech Republic, France, Germany, Italy, Netherlands, Poland, Switzerland and the United Kingdom. **Section IV** of this Appendix A includes special terms and conditions in the specific countries listed therein.

This Appendix A may also include information regarding exchange controls, taxation of awards and certain other issues of which Participant should be aware with respect to participation in the Plan. The information is based on the securities, exchange control, tax and other laws concerning Restricted Stock Units in effect **as of March 1, 2021**. Such laws are often complex and change frequently; the information may be out of date at the time Participant vests in the Restricted Stock Units or sell Shares acquired under the Plan. As a result, the Company strongly recommends that Participant should not rely on the information noted herein as the only source of information relating to the consequences of Participant's participation in the Plan.

In addition, this Appendix A is general in nature, does not discuss all of the various laws, rules and regulations which may apply to Participant's particular situation and the Company does not assure Participant of any particular result. **Accordingly, Participant is strongly advised to seek appropriate professional advice as to how the relevant laws in Participant's country apply to Participant's specific situation.**

*Finally, if Participant is a citizen or resident of a country other than the one in which Participant is currently working, transferred employment after the Restricted Stock Units were granted or is considered a resident of another country for local law purposes, the information contained herein may not be applicable to Participant in the same manner. In addition, the Company shall, in its sole discretion, determine to what extent the terms and conditions contained herein will apply under these circumstances.*

**Section I. All Countries Outside the United States**

1. Nature of Grant. In accepting the Restricted Stock Units, Participant acknowledges that:

- (a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;

- (b) the grant of the Restricted Stock Units is voluntary and occasional and does not create any contractual or other right to receive future grants of Restricted Stock Units, or benefits in lieu of Restricted Stock Units, even if Restricted Stock Units have been granted repeatedly in the past;
- (c) all decisions with respect to future grants, if any, will be at the sole discretion of Company;
- (d) Participant is voluntarily participating in the Plan;
- (e) the Restricted Stock Units and the underlying Shares subject to the Restricted Stock Units are extraordinary items that do not constitute compensation of any kind for services of any kind rendered to the Company or any Subsidiary or Affiliate, and which is outside the scope of Participant's employment contract, if any;
- (f) the Restricted Stock Units and the underlying Shares subject to the Restricted Stock Units are not intended to replace any pension rights, if any, or compensation;
- (g) the Restricted Stock Units and the underlying Shares subject to the Restricted Stock Units, and the income and value of same, are not part of normal or expected compensation or salary for any purposes, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Company or any Subsidiary or Affiliate;
- (h) the grant of the Restricted Stock Units and Participant's participation in the Plan will not be interpreted to form an employment contract or relationship with the Company or any Subsidiary or Affiliate;
- (i) the future value of the underlying Shares is unknown and cannot be predicted with certainty;
- (j) if Participant obtains Shares upon settlement of Participant's Restricted Stock Units, the value of those shares acquired may increase or decrease in value;
- (k) in consideration of the grant of the Restricted Stock Units, no claim or entitlement to compensation or damages shall arise from forfeiture of the Restricted Stock Units resulting from termination of Participant's employment with the Company or any Subsidiary or Affiliate (for any reason whatsoever and whether or not in breach of local labor laws) and Participant irrevocably releases the Company, the Subsidiaries and the Affiliates from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, Participant will be deemed irrevocably to have waived Participant's entitlement to pursue such claim;
- (l) in the event of termination of Participant's employment (whether or not in breach of local labor laws), Participant's right to vest in the Restricted Stock Units under the Plan, if any, will terminate effective as of the date that Participant is no longer actively employed and will not be extended by any notice period mandated under local law (e.g., active employment would not include a period of "garden leave" or similar period pursuant to local law); the Compensation Committee shall have the exclusive discretion to determine when Participant is no longer actively employed for purposes of Participant's Restricted Stock Units;

- (m) the Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding Participant's participation in the Plan, or Participant's acquisition or sale of Common Stock;
- (n) Participant is hereby advised to consult with Participant's personal tax, legal and financial advisors regarding participation in the Plan before taking any action related to the Plan;
- (o) unless otherwise provided in the Plan or by the Company in its discretion, the Restricted Stock Units and the benefits evidenced by this Agreement do not create any entitlement to have the Restricted Stock Units or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the shares of the Company; and
- (p) neither the Company, any Subsidiary nor any Affiliate of the Company shall be liable for any foreign exchange rate fluctuation between Participant's local currency and the United States Dollar that may affect the value of the Restricted Stock Units or of any amounts due to Participant pursuant to the settlement of the Restricted Stock Units or the subsequent sale of any shares acquired upon settlement.

2. Payment of Taxes. The following provisions supplement Section 6 of the Agreement entitled "Taxes."

- (a) Regardless of any action the Company or the Subsidiary/Affiliate that employs Participant (the "Employer") takes with respect to any or all income tax, Participant's portion of social insurance, payroll tax, payment on account or other tax-related items related to Participant's participation in the Plan and legally applicable to Participant ("Tax-Related Items"), Participant acknowledges that the ultimate liability for all Tax-Related Items is and remains Participant's responsibility and may exceed the amount actually withheld by the Company or the Employer.
- (b) Participant further acknowledges that the Company and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Restricted Stock Units, including, but not limited to, the grant of the Restricted Stock Units, the issuance of Shares upon vesting/settlement of the Restricted Stock Units, the subsequent sale of Shares acquired pursuant to such issuance and the receipt of any dividends or dividend equivalents; and (2) do not commit to, and are under no obligation to, structure the terms of the grant or any aspect of the Restricted Stock Units to reduce or eliminate Participant's liability for Tax-Related Items or achieve any particular tax result.
- (c) Further, if Participant becomes subject to tax in more than one jurisdiction between the Date of Grant and the date of any relevant taxable event, Participant acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.
- (d) Participant authorizes the Company and/or the Employer, or their respective agents, at their discretion, to satisfy the obligations with regard to all Tax-Related Items by one or a combination of the following: (1) withholding in Shares to be issued or cash distributed upon vesting/settlement of the Restricted Stock Units; (2) withholding from Participant's wages or other cash compensation paid to Participant by the Company and/or the Employer; (3) withholding from the proceeds of the sale of Shares acquired upon vesting/settlement of the Restricted Stock Units either through a voluntary sale or through a mandatory sale arranged by the Company (on Participant's behalf pursuant to this authorization).

- (e) To avoid negative accounting treatment, the Company may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, Participant shall be deemed to have been issued the full number of Shares subject to the vested Restricted Stock Units, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of Participant's participation in the Plan.
  - (f) Participant shall pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of Participant's participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver the Shares or the proceeds of the sale of Shares, if Participant fails to comply with this obligation.
3. Insider Trading Restrictions/Market Abuse Laws. Participant acknowledges that, depending on Participant's country of residence (and country of employment, if different), Participant may be subject to insider trading restrictions and/or market abuse laws, which may affect Participant's ability to acquire or sell Shares or rights to Shares (e.g., Restricted Stock Units) under the Plan during such times as Participant is considered to have "inside information" (as defined by the laws in the applicable country). The insider trading and/or market abuse laws may be different from any Company Insider Trading Policy. Participant personally is responsible for ensuring compliance with any applicable restrictions and should consult with Participant's personal legal advisor for additional information about any applicable restrictions and Participant's obligations.
  4. Foreign Asset/Account and Exchange Control Reporting. Participant's country of residence (and country of employment, if different) may have certain exchange controls and foreign asset and/or account reporting requirements which may affect Participant's ability to purchase or hold Shares under the Plan or receive cash from Participant's participation in the Plan (including from any dividends received or sale proceeds arising from the sale of Shares) in a brokerage or bank account outside Participant's country of residence (and country of employment, if different). Participant may be required to report such accounts, assets or transactions to the tax or other authorities in Participant's country of residence (and country of employment, if different). Further, Participant may be required to repatriate the Shares or proceeds acquired as a result of participating in the Plan to Participant's country of residence (and country of employment, if different) through a designated bank/broker and/or within a certain time. Participant personally is responsible for ensuring compliance with any applicable reporting obligations and should consult with Participant's personal legal advisor for additional information about such obligations.
  5. Compliance Obligations and Cooperation. As a condition to the grant of the Restricted Stock Units, Participant agrees to repatriate all payments attributable to the Shares and/or cash acquired under the Plan in accordance with local foreign exchange rules and regulations in Participant's country of residence (and country of employment, if different). In addition, Participant also agrees to take any and all actions, and consents to any and all actions taken by the Company and its Affiliates and Subsidiaries and/or the Employer, as may be required to allow the Company and its Affiliates and Subsidiaries or the Employer to comply with local laws, rules and regulations in Participant's country of residence (and country of employment, if different). Finally, Participant agrees to take any and all actions as may be required to comply with Participant's personal obligations under local laws, rules and regulations in Participant's country of residence (and country of employment, if different).
  6. Language. Participant acknowledges that Participant is sufficiently proficient in English, or, alternatively, Participant acknowledges that Participant will seek appropriate assistance, to understand the terms and conditions in the Agreement and Appendix A. Furthermore, if Participant has received the Agreement, Appendix A or any other document related to the Plan

translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

7. Foreign Asset/Account Reporting. Please be aware that Participant's country of employment and/or residency may have certain foreign asset and/or account reporting requirements which may affect Participant's ability to acquire or hold Shares under the Plan or cash received from participating in the Plan (including from any dividends received or sale proceeds arising from the sale of Shares) in a brokerage or bank account outside Participant's country of employment and/or residency. Participant may be required to report such accounts, assets or transactions to the tax or other authorities in Participant's country. Participant acknowledges that Participant personally is responsible for being compliant with such regulations, and Participant should consult with Participant's personal advisor for guidance on Participant's personal reporting obligations.

**Section II. All Countries Excluding Bulgaria, Czech Republic, France, Germany, Italy, Netherlands, Poland, Switzerland and United Kingdom**

**Data Privacy Consent.**

(a) General. The Company is located at 2366 Bernville Road, Reading, Pennsylvania 19605, United States of America, and grants Restricted Stock Units under the Plan to employees of the Company and its Subsidiaries, at its sole discretion. In conjunction with the Company's grant of Restricted Stock Units under the Plan and its ongoing administration of such Restricted Stock Units, the Company is providing the following information about its data collection, processing and transfer practices. In accepting the grant of the Restricted Stock Units, Participant expressly and explicitly consents to the personal data activities as described herein.

(b) Data Collection, Processing and Usage. The Company and the Employer will collect, process and use certain personal information about Participant, specifically, Participant's name, home address, email address and telephone number, date of birth, social security or insurance number, passport number or other identification number, salary, nationality, job title, any Shares or directorships held in the Company, details of all Restricted Stock Units or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in Participant's favor ("Personal Data"), for the exclusive purpose of implementing, administering and managing the Plan. Participant's Personal Data also may be disclosed to certain securities or other regulatory authorities where the Company's securities are listed or traded or regulatory filings are made. The Company's legal basis for the collection, processing, usage and disclosure of Participant's Personal Data is Participant's consent.

(c) Stock Plan Administration Service Providers. The Company and the Employer transfer Participant's Personal Data to Solium Capital LLC, a broker firm/third party service provider based in the United States of America and engaged by the Company to assist with the implementation, administration and management of awards granted under the Plan (the "Stock Plan Administrator"). In the future, the Company may select a different Stock Plan Administrator and share Participant's Personal Data with another company that serves in a similar manner. The Stock Plan Administrator will open an account for Participant to receive and trade Shares acquired under the Plan. Participant will be asked to agree to separate terms and data processing practices with the Stock Plan Administrator, which is a condition of Participant's ability to participate in the Plan.

(d) International Personal Data Transfers. The Company and the Stock Plan Administrator are based in the United States of America. Participant should note that Participant's country of residence may have enacted data privacy laws that are different from the United States of America. The Company's legal basis for the transfer of Participant's Personal Data to the United States of America is Participant's consent.

(e) Voluntariness and Consequences of Consent, Denial or Withdrawal. Participant's participation in the Plan and Participant's grant of consent hereunder is purely voluntary. Participant may deny or withdraw Participant's consent at any time. If Participant does not consent, or if Participant later withdraws Participant's consent, Participant may be unable to participate in the Plan. This would not affect Participant's existing employment or salary; instead, Participant merely may forfeit the opportunities associated with participation in the Plan.

(f) Personal Data Retention. Participant understands that Participant's Personal Data will be held only as long as is necessary to implement, administer and manage the Restricted Stock Units and Participant's participation in the Plan. When the Company no longer needs Participant's

Personal Data, the Company will remove it from its systems. If the Company retains Participant's Personal Data longer, it would be to satisfy the Company's legal or regulatory obligations and the Company's legal basis would be for compliance with applicable laws, rules and regulations.

(g) Personal Data Subject Rights. Participant understands that Participant may have the right under applicable law to (i) access or copy Participant's Personal Data that the Company possesses, (ii) rectify incorrect Personal Data concerning Participant, (iii) delete Participant's Personal Data, (iv) restrict processing of Participant's Personal Data, or (v) lodge complaints with the competent supervisory authorities in Participant's country of residence. To receive clarification regarding these rights or to exercise these rights, Participant can contact the Company's Legal Department at [legal@enersys.com](mailto:legal@enersys.com).

### **Section III. Bulgaria, Czech Republic, France, Germany, Italy, Netherlands, Poland, Switzerland and United Kingdom**

#### **Data Privacy Notice.**

(a) General. The Company is located at 2366 Bernville Road, Reading, Pennsylvania 19605, United States of America, and grants Restricted Stock Units under the Plan to employees of the Company and its Subsidiaries, at its sole discretion. In conjunction with the Company's grant of Restricted Stock Units under the Plan and its ongoing administration of such Restricted Stock Units, the Company is providing the following information about its data collection, processing and transfer practices, which Participant should carefully review.

(b) Data Collection, Processing and Usage. The Company and the Employer will collect, process and use certain personal information about Participant, specifically, Participant's name, home address, email address and telephone number, date of birth, social security or insurance number, passport number or other identification number, salary, nationality, job title, any Shares or directorships held in the Company, details of all Restricted Stock Units or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in Participant's favor ("Personal Data"), for the exclusive purpose of implementing, administering and managing the Plan. Participant's Personal Data also may be disclosed to certain securities or other regulatory authorities where the Company's securities are listed or traded or regulatory filings are made. The Company's legal basis for the collection, processing, usage and disclosure of Participant's Personal Data is to satisfy its contractual obligations under the terms of the Agreement and Appendix A, and to comply with applicable laws, rules and regulations.

(c) Stock Plan Administration Service Providers. The Company and the Employer transfer Participant's Personal Data to Solium Capital LLC, a broker firm/third party service provider based in the United States of America and engaged by the Company to assist with the implementation, administration and management of awards granted under the Plan (the "Stock Plan Administrator"). In the future, the Company may select a different Stock Plan Administrator and share Participant's Personal Data with another company that serves in a similar manner. The Stock Plan Administrator will open an account for Participant to receive and trade Shares acquired under the Plan. Participant will be asked to agree to separate terms and data processing practices with the Stock Plan Administrator, which is a condition of Participant's ability to participate in the Plan.

(d) International Personal Data Transfers. The Company and the Stock Plan Administrator are based in the United States of America. Participant should note that Participant's country of residence may have enacted data privacy laws that are different from the United States of America.



The Company's legal basis for the transfer of Participant's Personal Data to the United States of America is to satisfy its contractual obligations under the terms and conditions of the Agreement and Appendix A.

(e) Personal Data Retention. Participant understands that Participant's Personal Data will be held only as long as is necessary to implement, administer and manage the Restricted Stock Units and Participant's participation in the Plan. When the Company no longer needs Participant's Personal Data, the Company will remove it from its systems. If the Company retains Participant's Personal Data longer, it would be to satisfy the Company's legal or regulatory obligations and the Company's legal basis would be for compliance with applicable laws, rules and regulations.

(f) Personal Data Subject Rights. Participant understands that Participant may have the right under applicable law to (i) access or copy Participant's Personal Data that the Company possesses, (ii) rectify incorrect Personal Data concerning Participant, (iii) delete Participant's Personal Data, (iv) restrict processing of Participant's Personal Data, or (vi) lodge complaints with the competent supervisory authorities in Participant's country of residence. To receive clarification regarding these rights or to exercise these rights, Participant can contact the Company's Legal Department at [legal@enersys.com](mailto:legal@enersys.com).

## Section IV. Country-Specific Provisions

### Argentina

Securities Law Information. Neither the Restricted Stock Units nor the underlying Shares shall be publicly offered or listed on any stock exchange in Argentina and, as a result, have not been and will not be registered with the Argentine Securities Commission (*Comisión Nacional de Valores* or “CNV”). The offer is private and not subject to the supervision of any Argentine governmental authority. Neither this nor any other offering material related to the Restricted Stock Units or the underlying Shares may be utilized in connection with any general offering to the public in Argentina. Argentine residents who acquire Restricted Stock Units under the Plan do so according to the terms of a private offering made from outside Argentina.

### Australia

Compliance with Law. Notwithstanding anything to the contrary in the Agreement or the Plan, Participant shall not be entitled to, and shall not claim any benefit (including without limitation a legal right) under the Plan if the provision of such benefit would give rise to a breach of Part 2D.2 of the Corporations Act 2001 (Cth) (the “Act”), any other provision of that Act, or any other applicable statute, rule or regulation which limits or restricts the giving of such benefits.

Australian Offer Document. The Restricted Stock Units are granted pursuant to the Australian Offer Document and the grant is intended to comply with the provisions of the Corporations Act 2001, ASIC Regulatory Guide 49 and ASIC Class Order 14/1000. Participation in the Plan and the Restricted Stock Units granted under the Plan are subject to the terms and conditions stated in the Australian Offer Document, in addition to the Plan and the Agreement.

Tax Information. The Plan is a plan to which Subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) (the “Act”) applies (subject to the conditions in that Act).

Exchange Control Information. Exchange control reporting is required for cash transactions exceeding AUD 10,000 and international fund transfers. The Australian bank assisting with the transactions will file the report on Participant's behalf. If an Australian bank is not involved in the transfer, Participant personally will have to file the report. Participant personally is responsible for ensuring compliance with any applicable reporting obligations and should consult with Participant's personal legal advisor for additional information about such obligations.

### Austria

Exchange Control Information. If Participant holds securities (including Shares acquired under the Plan) or cash (including proceeds from the sale of Shares) outside of Austria, Participant may be required to report certain information to the Austrian National Bank if certain thresholds are exceeded. Specifically, if Participant is an Austrian resident and holds securities outside of Austria, reporting requirements will apply if the value of such securities meets or exceeds (i) €30,000,000 as of the end of any calendar quarter, or (ii) €5,000,000 as of December 31. Further, if Participant holds cash in accounts outside of Austria, monthly reporting requirements will apply if the aggregate transaction volume of such cash accounts meets or exceeds €10,000,000.

### Brazil

Labor Law Policy and Acknowledgment. By accepting the Restricted Stock Units, Participant agrees that (i) Participant is making an investment decision, (ii) the Shares will be issued to Participant only if the vesting conditions are met and (iii) the value of the underlying Shares is not fixed and may increase or decrease in value over the vesting period without compensation to the Participant.

Compliance with Law. By accepting the Restricted Stock Units, Participant agrees to comply with applicable Brazilian laws and to report and pay applicable Tax-Related Items associated with the vesting of the Restricted Stock Units or the subsequent sale of the Shares acquired under the Plan.

Foreign Asset/Account Reporting Information. If Participant is resident or domiciled in Brazil, Participant will be required to submit an annual declaration of assets and rights held outside of Brazil to the Central Bank of Brazil if the aggregate value of such assets and rights is equal to or greater than US\$100,000 (US\$1,000,000 as of January 1, 2021). Quarterly reporting is required if such amount exceeds US\$100,000,000. Assets and rights that must be reported include Shares acquired under the Plan.

Tax on Financial Transactions (IOF). Payments to foreign countries, repatriation of funds into Brazil, and the conversion of BRL into USD associated with such fund transfers, may be subject to the Tax on Financial Transaction. It is Participant's personal responsibility to comply with any applicable Tax on Financial Transaction arising from participation in the Plan. Participant should consult with Participant's personal tax advisor for additional details.

## **Bulgaria**

Exchange Control Information. If Participant is a Bulgarian resident, Participant will be required to file statistical forms with the Bulgarian National Bank annually regarding receivables in Participant's foreign bank accounts as well as securities held abroad (e.g., Shares acquired under the Plan) if the total sum of all such receivables and securities equals or exceeds BGN50,000 as of the previous calendar year-end. The reports are due by March 31. Participant understands that Participant should contact Participant's bank in Bulgaria for additional information regarding these requirements.

Foreign Asset/Account Reporting Notification. Participant is required to report the acquisition of Shares under the Plan on Participant's annual tax return in the year of acquisition and in each subsequent annual tax return for as long as Participant holds the Shares.

## **Canada**

Restricted Stock Units Payable Only in Shares. Notwithstanding anything in the Agreement or the Plan to the contrary, Participant's Restricted Stock Units shall be settled in Shares only (and many not be settled in cash).

Termination of Employment. For purposes of the Agreement, Participant's employment or service will be considered terminated as of the earlier of: (a) the date Participant terminates employment; (b) the date Participant receives notice of termination; or (c) the date on which Participant is no longer actively employed by or actively providing services, regardless of any notice period or period of pay in lieu of such notice required under applicable law (including, but not limited to, statutory law, regulatory law and/or common law). The Committee shall have the exclusive discretion to determine when Participant's employment or service is terminated for purposes of the Agreement (including whether Participant may still be considered to be providing service while on a leave of absence).

Securities Law Notification. Participant is permitted to sell Shares acquired under the Plan through the designated broker appointed under the Plan, if any, provided that the resale of such shares takes place outside of Canada through the facilities of a national securities exchange on which the shares are listed (i.e., The New York Stock Exchange).

English Language Consent for Participants in Quebec. To the extent Participant resides in Quebec, the parties acknowledge that it is their express wish that the Plan, the Agreement and this Appendix A, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

*Les parties reconnaissent avoir exigé la rédaction en anglais de cette convention («Plan, Agreement and Appendix A»), ainsi que de tous documents, avis et procédures judiciaires, exécutés, donnés ou intentés en vertu de, ou liés directement ou indirectement à, la présente convention.*

**Foreign Asset/Account Reporting Information.** Participant may be required to report Participant's foreign specified property on Form T1135 (Foreign Income Verification Statement) if the total cost of Participant's foreign specified property exceeds C\$100,000 at any time during the year. Foreign specified property includes cash held outside of Canada, Shares acquired under the Plan and Restricted Stock Units. Unvested Restricted Stock Units must be reported (generally, at nil cost) on Form T1135 if the C\$100,000 cost threshold is exceeded due to other foreign specified property Participant holds. The Form T1135 must be filed by April 30 of the following year. When Shares are acquired, their cost generally is the adjusted cost base ("ACB") of the Shares. The ACB ordinarily would equal the fair market value of the Shares at the time of acquisition, but if Participant owns other shares of the same company, this ACB may have to be averaged with the ACB of the other shares. Participant should consult with Participant's personal tax advisor to determine Participant's personal reporting requirements.

#### **China**

**Restricted Stock Units Payable Only in Cash.** Notwithstanding anything in the Agreement or the Plan to the contrary, any Restricted Stock Units shall be settled solely by means of a cash payment made directly to Participant by the Affiliate in China that employs Participant. The grant of Restricted Stock Units does not provide any right for Participant to receive Shares.

#### **Czech Republic**

**Exchange Control Information.** The Czech National Bank may require Participant to fulfill certain notification duties in relation to the opening and maintenance of a foreign account. However, because exchange control regulations change frequently and without notice, Participant should consult with Participant's legal advisor prior to the sale of Shares to ensure compliance with current regulations. It is Participant's responsibility to comply with Czech exchange control laws, and neither the Company nor the Employer will be liable for any resulting fines or penalties.

#### **France**

**Nature of Restricted Stock Units.** The Restricted Stock Units are not granted under the French specific regime provided by Articles L. 225-197-1 to L. 225-197-6 of the French commercial code.

**English Language Consent.** The parties acknowledge that it is their express wish that the Plan, the Agreement and this Appendix A, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

*Les parties reconnaissent avoir exigé la rédaction en anglais de cette convention («Plan, Agreement and Appendix A»), ainsi que de tous documents, avis et procédures judiciaires, exécutés, donnés ou intentés en vertu de, ou liés directement ou indirectement à, la présente convention.*

**Exchange Control Information.** The value of any cash or securities imported to or exported from France without the use of a financial institution must be reported to the customs and excise authorities when the value of such cash or securities is equal to or greater than a certain amount. Participant personally is responsible for ensuring compliance with any applicable reporting obligations and should consult with Participant's personal legal advisor for additional information about such obligations.

Foreign Asset/Account Reporting Information. French residents holding cash or Shares outside of France must declare all foreign bank and brokerage accounts (including any accounts that were opened or closed during the tax year) on an annual basis on form No. 3916, together with their income tax return. Failure to complete this reporting triggers penalties for the resident.

### **Germany**

Exchange Control Information. Cross-border payments in connection with the purchase or sale of securities in excess of EUR 12,500 must be reported monthly by accessing the electronic General Statistics Reporting Portal (*Allgemeines Meldeportal Statistik*) via the Bundesbank's website ([www.bundesbank.de](http://www.bundesbank.de)). Participant personally is responsible for ensuring compliance with any applicable reporting obligations and should consult with Participant's personal legal advisor for additional information about such obligations.

Foreign Asset/Account Reporting Information. German residents holding Shares must notify their local tax office of the acquisition of Shares when they file their tax returns for the relevant year if (i) the value of the Shares acquired exceeds €150,000 and Participant owns 1% or more of the total Shares of the Company, or (ii) in the unlikely event that the resident holds Shares exceeding 10% of the Company's total Shares.

### **India**

Restricted Stock Units Payable Only in Cash. Notwithstanding anything in the Agreement or the Plan to the contrary, any Restricted Stock Units shall be settled solely by means of a cash payment made directly to Participant by the Affiliate in India that employs Participant. The grant of Restricted Stock Units does not provide any right for Participant to receive Shares.

Exchange Control Information. Participant must repatriate to India the proceeds from the sale of shares acquired at vesting and any dividends received in relation to the shares within 90 days after receipt. Participant must obtain evidence of the repatriation of funds in the form of a foreign inward remittance certificate (the "FIRC") from the bank where Participant deposited the foreign currency. Participant must retain the FIRC in Participant's records to present to the Reserve Bank of India or Participant's Employer in the event that proof of repatriation is requested. Participant personally is responsible for ensuring compliance with the local exchange control rules and should consult with Participant's personal legal advisor for additional information about such rules and obligations.

Foreign Assets Reporting Information. Participant is required to declare Participant's foreign bank accounts and any foreign financial assets (including Shares held outside India) in Participant's annual tax return. Participant personally is responsible for ensuring compliance with any applicable reporting obligations and should consult with Participant's personal legal advisor for additional information about such obligations.

### **Italy**

Plan Document Acknowledgment. In accepting the grant of Restricted Stock Units, Participant acknowledges that Participant has received a copy of the Plan, have reviewed the Plan and the Agreement in their entirety, and fully understand and accept all provisions of the Plan and the Agreement. Participant further acknowledges that Participant has read and specifically and expressly approves the following Sections in the Agreement and Appendix A:

Section 3 (Terms and Conditions)

Section 4 (Wrongful Competition and Wrongful Solicitation)

Section 5 (Confidential Information and Trade Secrets)

Section 17 (Investment Representation)

Section 19 (Entire Agreement; Language; Governing Law)

Section 23(f) (Clawback Policy)

Appendix A, Section I (Nature of Grant)

Appendix A, Section I (Payment of Taxes)

Appendix A, Section III (Data Privacy Notice)

**Foreign Asset/Account Reporting Information.** If Participant is an Italian resident and, during any fiscal year, holds investments or financial assets outside of Italy (e.g., cash, Shares) which may generate income taxable in Italy, Participant is required to report such investments or assets on Participant's annual tax return (on UNICO Form, RW Schedule, or on a special form if Participant is not required to file a tax return). These reporting obligations will apply to Participant if Participant is the beneficial owner of foreign financial assets under Italian money laundering provisions. Further, the value of the financial assets held outside of Italy (including Shares) by Italian residents is subject to a foreign asset tax. The taxable amount will be the fair market value of the financial assets (i.e., Shares acquired under the Plan) assessed at the end of the calendar year.

### **Malaysia**

**Director Notification Obligation.** If Participant is a director of a Malaysian Subsidiary or Affiliate, Participant is subject to certain notification requirements under the Malaysian Companies Act. Among these requirements is an obligation to notify the Malaysian Subsidiary or Affiliate in writing when Participant receives or dispose of an interest (e.g., an award under the Plan or Shares) in the Company or any related company. Such notifications must be made within 14 days of receiving or disposing of any interest in the Company or any related company.

**Insider-Trading Information.** Participant should be aware of the Malaysian insider-trading rules, which may impact Participant's acquisition or disposal of Shares or rights to Shares under the Plan. Under the Malaysian insider-trading rules, Participant is prohibited from acquiring or selling Shares or rights to Shares (e.g., an award under the Plan) when Participant is in possession of information which is not generally available and which Participant knows or should know will have a material effect on the price of Shares once such information is generally available.

### **Mexico**

**Nature of Grant.** The following provisions supplement Section I (Nature of Grant) of this Appendix A:

**Acknowledgment of the Grant.** In accepting the Restricted Stock Units, Participant acknowledges that Participant has received a copy of the Plan and the Agreement, including this Appendix A, and that Participant has reviewed the Plan and the Agreement, including this Appendix A, in its entirety and fully understand and accept all provisions of the Plan and the Agreement, including this Appendix A. Participant further acknowledges that Participant has read and specifically and expressly approve the terms and conditions of Section I (Nature of Grant) of this Appendix A, in which the following is clearly described and established:

Participant's participation in the Plan does not constitute an acquired right.

The Plan and Participant's participation in the Plan are offered by the Company on a wholly discretionary basis.

Participant's participation in the Plan is voluntary.

Neither the Company nor any Subsidiary or Affiliate is responsible for any decrease in the value of the Restricted Stock Units granted and/or the shares issued under the Plan.

Securities Law Information. The Restricted Stock Units and the Shares offered under the Plan have not been registered with the National Register of Securities maintained by the Mexican National Banking and Securities Commission and cannot be offered or sold publicly in Mexico. In addition, the Plan, the Agreement and any other document relating to the Restricted Stock Units may not be publicly distributed in Mexico. These materials are addressed to Participant only because of Participant's existing relationship with the Company and the Subsidiary in Mexico that employs Participant, and these materials should not be reproduced or copied in any form. The offer contained in these materials does not constitute a public offering of securities but rather constitutes a private placement of securities addressed specifically to individuals who are present employees of the Subsidiary in Mexico made in accordance with the provisions of the Mexican Securities Market Law, and any rights under such offering shall not be assigned or transferred.

Labor Law Acknowledgment and Policy Statement. In accepting the Restricted Stock Units, Participant expressly recognizes that the Company, with registered offices at 2366 Bernville Road, Reading, Pennsylvania 19605, United States of America, is solely responsible for the administration of the Plan and that Participant's participation in the Plan and acquisition of shares does not constitute an employment relationship between Participant and the Company since Participant is participating in the Plan on a wholly commercial basis and Participant's sole employer is EnerSys de Mexico, S.A. de CV, Powersonic, S.A. de CV or Yecoltd, S de R.L. de CV (each, a "Mexican Subsidiary"). Based on the foregoing, Participant expressly recognizes that the Plan and the benefits that Participant may derive from participation in the Plan do not establish any rights between Participant and Participant's employer, a Mexican Subsidiary, and do not form part of the conditions of Participant's employment and/or benefits provided by such Mexican Subsidiary, and any modification of the Plan or its termination shall not constitute a change or impairment of the terms and conditions of Participant's employment.

Participant further understands that Participant's participation in the Plan is a result of a unilateral and discretionary decision of the Company; therefore, the Company reserves the absolute right to amend and/or discontinue Participant's participation in the Plan at any time, without any liability to Participant.

Finally, Participant hereby declares that Participant does not reserve to himself or herself any action or right to bring any claim against the Company for any compensation or damages regarding any provision of the Plan or any benefits derived from the Plan; therefore, Participant grants a full and broad release to the Company, its shareholders, officers, agents, legal representatives, and subsidiaries with respect to any claim that may arise.

#### **Spanish Translation.**

**Reconocimiento de la subvención.** Al aceptar el fuentes, el participante reconoce que el participante ha recibido una copia del plan y el acuerdo, incluyendo este apéndice a, y que el participante ha revisado el plan y el acuerdo, incluyendo este apéndice a, en su totalidad y comprender y aceptar plenamente todas las disposiciones del plan y del acuerdo, incluido el presente Apéndice A. El participante reconoce además que el participante ha leído y aprobado expresa y explícitamente los términos y condiciones de la sección I (naturaleza de la concesión) del presente apéndice a, en el que se describen y establecen claramente los siguientes:

- (1) la participación del participante en el plan no constituye un derecho adquirido.
- (2) el plan y la participación del participante en el plan son ofrecidos por la compañía sobre una base totalmente discrecional.

- (3) la participación del participante en el plan es voluntaria.
- (4) ni la compañía ni ningún subsidiario o afiliado es responsable de cualquier disminución

Reconocimiento de la ley laboral y declaración de política. Al aceptar el fuentes, el participante reconoce expresamente que la compañía, con domicilio social en 2366 BERNVILLE Road, Reading, Pennsylvania 19605, Estados Unidos de América, es el único responsable de la administración del plan y que el La participación del participante en el plan y la adquisición de acciones no constituye una relación de empleo entre usted y la empresa, ya que el participante participa en el plan de manera totalmente comercial y el único empleador del participante es EnerSys de México, s.a. de CV, PowerSonic, s.a. de CV o Yecoltd, S de R.L. de CV (cada una, una "filial mexicana"). Basándose en lo anterior, el participante reconoce expresamente que el plan y los beneficios que el participante puede derivar de la participación en el plan no establecen ningún derecho entre el participante y el empleador del participante, una filial mexicana, y no forman parte de las condiciones del empleo del participante y/o los beneficios proporcionados por dicha filial mexicana, y cualquier modificación del plan o su terminación no constituirá un cambio o deterioro de los términos y condiciones del Empleo.

El participante entiende además que la participación del participante en el plan es el resultado de una decisión unilateral y discrecional de la compañía; por lo tanto, la compañía se reserva el derecho absoluto de enmendar y/o suspender la participación del participante en el plan en cualquier momento, sin ninguna responsabilidad para con el participante.

Por último, el participante declara que el participante no se reserva a sí mismo ninguna acción o derecho de presentar reclamación alguna contra la compañía por cualquier indemnización o daño relacionado con cualquier disposición del plan o cualquier beneficio derivado del plan; por lo tanto, el participante otorga una liberación completa y amplia a la compañía, sus accionistas, oficiales, agentes, representantes legales y subsidiarias con respecto a cualquier reclamación que pueda surgir.

#### **Netherlands**

Waiver of Termination Rights. Participant waives any and all rights to compensation or damages as a result of any termination of employment for any reason whatsoever, insofar as those rights result or may result from (a) the loss or diminution in value of such rights or entitlements under the Plan, or (b) Participant's ceasing to have rights under, or ceasing to be entitled to any awards under the Plan as a result of such termination.

#### **Poland**

Exchange Control Information. Polish residents holding foreign securities (including Shares) and maintaining accounts abroad must report information to the National Bank of Poland on transactions and balances of the securities and cash deposited in such accounts if the value of such securities and cash (when combined with all other assets held abroad) exceeds PLN 7,000,000. If required, the reports must be filed on a quarterly basis on special forms available on the website of the National Bank of Poland. If Participant transfers funds in excess of €15,000 into Poland in connection with the sale of Shares under the Plan, the funds must be transferred via a bank account. Participant is required to retain the documents connected with a foreign exchange transaction for a period of five (5) years, as measured from the end of the year in which such transaction occurred. If Participant holds Shares acquired under the Plan and/or maintain a bank account abroad, Participant will have reporting duties to the National Bank of Poland. Participant personally is responsible for ensuring compliance with any applicable reporting obligations and should consult with Participant's personal legal advisor for additional information about such obligations.

#### **Singapore**



**Sale Restriction.** Participant expressly agrees that any Shares received upon vesting will not be offered for sale or sold in Singapore prior to the six (6) month anniversary of the Date of Grant, unless such sale or offer in is made after pursuant to the exemption under Part XIII Division (1) Subdivision (4) (other than Section 280) of the SFA (Chapter 289, 2006 Ed.) or pursuant to, and in accordance with the conditions of, any other applicable provision(s) of the SFA.

**Securities Law Information.** The grant of the Restricted Stock Units is being made pursuant to the "Qualifying Person" exemption under section 273(1)(f) of the Securities and Futures Act (Chapter 289, 2006 Ed.) ("SFA"), under which it is exempt from the prospectus and registration requirements and is not made with a view to the underlying shares being subsequently offered for sale to any other party. The Plan has not been and will not be lodged or registered as a prospectus with the Monetary Authority of Singapore and is not regulated by any financial supervisory authority pursuant to any legislation in Singapore. Accordingly, statutory liability under the SFA in relation to the content of prospectuses will not apply. Participant should note that the Restricted Stock Units are subject to section 257 of the SFA and Participant should not make (i) any subsequent sale of the Shares in Singapore or (ii) any offer of such subsequent sale of the Shares subject to the Restricted Stock Units in Singapore, unless such sale or offer is made (a) after six months from the Date of Grant or (b) pursuant to the exemptions under Part XIII Division (1) Subdivision (4) (other than section 280) of the SFA.

**Director Notification Obligation.** If Participant is a director, alternate director, substitute director or shadow director of the Company's Singapore Subsidiary or Affiliate, Participant is subject to certain notification requirements under the Singapore Companies Act. Among these requirements is an obligation to notify the Company's Singapore Subsidiary or Affiliate in writing when Participant receives an interest (e.g., Options or Shares) in the Company or any Subsidiary or Affiliate. This notification must be made (a) within two (2) business days of acquiring or disposing of any interest in the Company or any Subsidiary or Affiliate, or becoming a director, associate director or shadow director, whichever occurs last, and (b) upon any change in a previously disclosed interest (e.g., sale of Shares issued upon exercise and settlement of the Options).

#### **Sweden**

No country-specific provisions.

#### **Switzerland**

**Securities Law Information.** The Restricted Stock Units are not intended to be publicly offered in or from Switzerland. Because the offer of the Restricted Stock Units is considered a private offering, it is not subject to registration in Switzerland. Neither this document nor any other materials relating to the Restricted Stock Units or the Plan (a) constitute a prospectus according to articles 35 et seq. of the Swiss Federal Act on Financial Services ("FinSA"), (b) may be publicly distributed nor otherwise made publicly available in Switzerland to any person other than an employee of the Company or Employer or (c) has been or will be filed with, approved or supervised by any Swiss reviewing body according to article 51 FinSA or any Swiss regulatory authority, including the Swiss Financial Market Supervisory Authority (FINMA).

#### **Turkey**

**Securities Law Notification.** Participant is not permitted to sell any Shares acquired under the Plan in Turkey. The Shares are currently traded on the New York Stock Exchange, which is located outside Turkey, under the ticker symbol "ENS" and Shares acquired under the Plan may be sold through this exchange.

**Exchange Control Notification.** Turkish residents are permitted to purchase and sell securities or derivatives traded on exchanges abroad only through a financial intermediary licensed in Turkey.

Therefore, Participant may be required to appoint a Turkish broker to assist Participant with the sale of the Shares acquired under the Plan.

**U.S. Virgin Islands**

No country-specific provisions.

**United Kingdom**

Restricted Stock Units Payable Only in Shares. Notwithstanding anything in the Agreement or the Plan to the contrary, Participant's Restricted Stock Units shall be settled in Shares only (and many not be settled in cash).

Tax Withholding. The following provision supplements Section I (Payment of Taxes) of this Appendix A:

Participant expressly agrees that Participant is liable for all Tax-Related Items and hereby covenants to pay all such Tax-Related Items, as and when requested by the Company, the Employer and/or by Her Majesty's Revenue & Customs ("HMRC") (or any other tax authority or any other relevant authority). Participant also hereby agrees to indemnify and keep indemnified the Company and the Employer against any Tax-Related Items that they are required to pay or withhold or have paid or will pay on Participant's behalf to HMRC (or any other tax authority or any other relevant authority).

Notwithstanding the foregoing, if Participant is a director or executive officer of the Company (within the meaning of Section 13(k) of the Exchange Act) and the indemnification of the Company and the Employer is viewed as a loan, Participant will be ineligible for such a loan to cover income tax. In the event that Participant is a director or executive officer and income taxes are not collected from or paid by Participant within ninety (90) days after the end of the tax year in which the event giving rise to the income tax obligation arose, the amount of any uncollected income tax may constitute a benefit to Participant on which additional income tax and national insurance contributions ("NICs") may be payable. Participant acknowledges that Participant will be responsible for reporting any income tax due on this additional benefit directly to HMRC under the self-assessment regime and for paying the Company or the Employer (as applicable) for any employee NICs due on this additional benefit which may be recovered from Participant by the Company or the Employer at any time thereafter by any of the means referred to herein.

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**ENERSYS**  
**Subsidiaries**

EnerSys Argentina S.A.	Argentina
EnerSys Australia Pty Ltd.	Australia
ICS Industries Pty Ltd.	Australia
ICS Sheet Metal Pty Ltd.	Australia
International Communication Shelters Australasia Pty Ltd.	Australia
Lancord Pty Ltd.	Australia
Lenmic Pty Ltd.	Australia
National Infrastructure Pty Ltd.	Australia
National Infrastructure Services Pty Ltd.	Australia
Powercom (NSW) Pty Ltd.	Australia
Alpha Technologies Pty. Ltd.	Australia
EnerSys GmbH	Austria
EnerSys BVBA	Belgium
EnerSys Brasil Ltda.	Brazil
EnerSys Participacoes Ltda.	Brazil
Industrial Battery Holding Ltda.	Brazil
Alpha Innovations Industria e Comercio de Produtos Eletronicos Ltda.	Brazil
EnerSys AD (99.8%) *	Bulgaria
EnerSys Bulgaria EOOD	Bulgaria
EnerSys Canada Inc.	Canada
Alpha Technologies Ltd.	Canada
Argus Research Ltd.	Canada
Alpha Technical Services Ltd.	Canada
EnerSys Cayman Euro L.P.	Cayman Islands
EnerSys Cayman Holdings L.P.	Cayman Islands
EnerSys Cayman Inc.	Cayman Islands
YCI, Inc.	Cayman Islands
EnerSystem Chile Ltda.	Chile
EnerSys (Chaozhou) Huada Batteries Company Limited	China
EnerSys (China) Huada Batteries Company Limited	China
EnerSys (Chongqing) Huada Batteries Company Limited	China
EnerSys (Jiangsu) Huada Batteries Company Limited (94.7%) *	China
EnerSys (Yangzhou) Huada Batteries Co. Ltd.	China
Shenzhen Huada Power Supply Mechanical & Electrical Co. Ltd.	China
Alphatec Technologies (Shenzhen) Co. Ltd.	China
SiteTel Shanghai Co Ltd.	China
EnerSys, s.r.o.	Czech Republic
EnerSys A/S	Denmark
EnerSys Europe Oy	Finland
EnerSys SARL	France

EnerSys SNC	France
Hawker GmbH	Germany
Hawker Systems GmbH & Co. KG.	Germany
EnerSys AE	Greece
EnerSys Asia Limited	Hong Kong
Telecomponents & Supply (Hong Kong) Ltd.	Hong Kong
EnerSys Hungária Kft.	Hungary
EnerSys Battery Private Limited	India
EnerSys India Batteries Private Ltd.	India
Alpha Tech Energy Solutions India Private Limited	India
EnerSys S.r.l.	Italy
EnerSys Holdings (Luxembourg) Sarl	Luxembourg
EnerSys (Luxembourg) Finance Sarl	Luxembourg
DCPM Engineering Sdn Bhd	Malaysia
EnerSys Malaysia Sdn Bhd	Malaysia
MIB Energy Sdn Bhd	Malaysia
UTS Holdings Sdn Bhd	Malaysia
UTS Technology (JB) Sdn Bhd	Malaysia
UTS Technology (PG) Sdn Bhd	Malaysia
EnerSys de Mexico, S de R.L. de CV	Mexico
EnerSys de Mexico II, S de R.L. de CV	Mexico
Powersonic, S de R.L. de CV	Mexico
Yecoltd, S. de R.L. de CV	Mexico
Baterias Hawker de Mexico S. de R.L. de C.V.	Mexico
Alpha Mexico Network Power S.A. de C.V.	Mexico
Riverfront Holding S. de R.L. de C.V.	Mexico
Alpha Innovations Mexico S. de R.L. de C.V.	Mexico
ENAS Industrial Batteries Morocco Sarl	Morocco
EnerSys AS	Norway
EnerSys sp. z o.o.	Poland
EnerSys JSC	Russia
Battery Power International Pte Ltd.	Singapore
EnerSys Reserve Power Pte. Ltd.	Singapore
EnerSys South East Asia Pte. Ltd.	Singapore
NaviSemi Energy Pte Ltd.	Singapore
EnerSys, s.r.o.	Slovak Republic
Acumuladores Industriales EnerSys SA	Spain
EnerSys AB	Sweden
Purcell Systems International AB	Sweden
N Holding AB	Sweden
SiteTel Sweden AB	Sweden
EH Batterien AG	Switzerland
EH Europe GmbH	Switzerland
EH Global Holdings GmbH	Switzerland
EH Swiss Holdings GmbH	Switzerland

EnerSys BV	The Netherlands
EnerSys Akü Sanaya Dis Ticaret Limited Sirketi	Turkey
EnerSys LLC	Ukraine
NorthStar Battery DMCC	United Arab Emirates
ABSL Power Solutions Ltd.	United Kingdom
EnerSys Holdings UK Ltd.	United Kingdom
EnerSys Ltd.	United Kingdom
NaviSemi Inc.	California
ABSL Power Solutions Inc.	Delaware
EnerSys Advanced Systems Inc.	Delaware
EnerSys Capital Inc.	Delaware
EnerSys Delaware Inc.	Delaware
EnerSys Delaware LLC I	Delaware
EnerSys Delaware LLC II	Delaware
EnerSys Delaware LLC III	Delaware
EnerSys Delaware LLC IV	Delaware
EnerSys Delaware LLC V	Delaware
EnerSys Energy Products Inc.	Delaware
EnerSys European Holding Co.	Delaware
EnerSys Mexico Holdings LLC	Delaware
EnerSys Mexico Management LLC	Delaware
Esfinco,LLC	Delaware
Hawker Powersource, Inc.	Delaware
Hawker Power Systems, Inc.	Delaware
Purcell Systems, Inc.	Delaware
Quallion LLC	Delaware
NorthStar Battery Company, LLC	Missouri
New Pacifico Realty, Inc.	Nevada
Alpha Technologies Services, Inc.	Nevada
Alpha Broadband Services Inc.	Nevada
Alpha Alternative Energy Inc.	Nevada
Coppervale Enterprises Inc.	Washington
Outback Power Technologies, Inc.	Washington

\* These entities are majority-owned by EnerSys with the remaining interests held by third parties.

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 333-226712) pertaining to the EnerSys 2018 Employee Stock Purchase Plan,
- (2) Registration Statement (Form S-8 No. 333-219838) pertaining to the EnerSys 2017 Equity Incentive Plan, and
- (3) Registration Statement (Form S-8 No. 333-168717) pertaining to the EnerSys 2010 Equity Incentive Plan;

of our reports dated May 26, 2021, with respect to the consolidated financial statements of EnerSys and the effectiveness of internal control over financial reporting of EnerSys included in this Annual Report (Form 10-K) of EnerSys for the year ended March 31, 2021.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania

May 26, 2021

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER  
PURSUANT TO RULE 13a-14(a)/15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934**

I, David M. Shaffer, certify that:

1. I have reviewed this Annual Report on Form 10-K of EnerSys;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

ENERSYS

By           /s/ David M. Shaffer          

David M. Shaffer  
Chief Executive Officer

Date: May 26, 2021

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER  
PURSUANT TO RULE 13a-14(a)/15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934**

I, Michael J. Schmidlein, certify that:

1. I have reviewed this Annual Report on Form 10-K of EnerSys;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

ENERSYS

By           /s/ Michael J. Schmidlein          

Michael J. Schmidlein  
Chief Financial Officer

Date: May 26, 2021



**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER  
AND CHIEF FINANCIAL OFFICER  
PURSUANT TO  
18. U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of EnerSys on Form 10-K for the fiscal year ended March 31, 2021 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Form 10-K fairly presents, in all material respects, the financial condition and results of operations of EnerSys.

ENERSYS

By /s/ David M. Shaffer

David M. Shaffer  
Chief Executive Officer

By /s/ Michael J. Schmidlein

Michael J. Schmidlein  
Chief Financial Officer

Date: May 26, 2021