

EnerSys  
Form DEF 14A  
June 18, 2007  
Table of Contents

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549  
**SCHEDULE 14A**  
(Rule 14a-101)  
**INFORMATION REQUIRED IN PROXY STATEMENT**  
**SCHEDULE 14A INFORMATION**  
Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only**

(as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Under Rule 14a-12

**ENERSYS**

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(Name of Registrant as Specified in its Charter)

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3) Filing Party:

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4) Date Filed:

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Table of Contents

Letter to

Stockholders

**Proxy Statement and  
2007 Annual Report to Stockholders**

Annual Meeting

Invitation

Dear Fellow Stockholder:

We are pleased to provide this annual report for our fiscal year ending March 31, 2007, which highlights our achievements of record sales and earnings. Net sales increased 17% over the prior year while net income increased 47%. Although we experienced substantially higher commodity costs, we were able to more than offset those costs with higher selling prices, cost reductions and the benefit of increased sales volume. We experienced a good year and I am proud of the many accomplishments our employees achieved.

Notice of 2007

Annual Meeting

and Proxy

Statement

2007 Annual  
Report on Form  
10-K

For the first time, we had revenues exceeding \$1.5 billion, due in part to our recent acquisitions and the benefit of stronger foreign currencies. We experienced strong revenue growth in all three of our geographic regions and across both our motive power and reserve power business segments.

Net earnings increased 47% to \$45.2 million. In this report, we have highlighted certain charges and credits by which we adjust earnings to analyze our performance. Net earnings, as adjusted for these items, increased 13% to \$41.4 million as we successfully offset substantially higher costs.

Overall, I am very satisfied with our performance when considering the difficult cost environment we faced. The past year has been challenging; but rewarding. I can assure you we are going to work hard on new plans to continue to increase the value of the Company to our stockholders.

I thank our stockholders for their confidence in our Company, our customers for their valued business, and our employees for their dedication and achievements.

Sincerely,  
**John D. Craig**  
**Chairman of the Board,**

**President and Chief Executive Officer**

Please refer to Management's Discussion and Analysis in our Annual Report on Form 10-K attached to this letter for additional information, including a reconciliation of the non-GAAP measures to the comparable GAAP measures.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995: Statements in this letter regarding EnerSys' business, which are not historical facts, are forward-looking statements that involves risks and uncertainties. For a discussion of such risks and uncertainties that could cause actual results to differ from those contained in the forward-looking statements, see Risk Factors in the Company's Annual Report on Form 10-K attached to this letter.

**Table of Contents**

**Annual Meeting Invitation**

June 19, 2007

Dear Fellow Stockholder:

EnerSys will hold its 2007 annual meeting of stockholders (the Annual Meeting ) on Thursday, July 19, 2007, at 10:00 a.m. (Eastern time) at our corporate offices located at 2366 Bernville Road, Reading, Pennsylvania 19605. You can find directions to our corporate offices on the Investor Relations page of our website at [www.enersys.com](http://www.enersys.com).

Your vote is important regardless of the number of shares you own. Whether or not you plan to attend the Annual Meeting in person, we urge you to read these proxy materials and cast your vote on the matters that will be presented at the Annual Meeting. Stockholders of record have the option of voting by telephone, through the Internet or by completing, signing, dating and returning the enclosed proxy card in the envelope provided. Doing so will not prevent you from voting in person at the Annual Meeting.

Thank you very much for your continued interest in EnerSys.

Sincerely,  
**John D. Craig**  
**Chairman of the Board,**

**President and Chief Executive Officer**

**Table of Contents**

**TABLE OF CONTENTS**

	<b>Page</b>
<u>NOTICE OF ANNUAL MEETING OF STOCKHOLDERS</u>	ii
<u>PROXY STATEMENT</u>	1
<u>GENERAL INFORMATION</u>	1
<u>PROPOSAL NO. 1 ELECTION OF DIRECTORS</u>	3
<u>BOARD OF DIRECTORS</u>	4
<u>CORPORATE GOVERNANCE</u>	6
<u>DIRECTOR COMPENSATION FOR FISCAL YEAR 2007</u>	11
<u>PROPOSAL NO. 2 RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	11
<u>AUDIT COMMITTEE REPORT</u>	12
<u>PROPOSAL NO. 3 APPROVAL OF THE ENERSYS 2007 MANAGEMENT INCENTIVE PLAN</u>	14
<u>EXECUTIVE OFFICERS</u>	17
<u>EXECUTIVE COMPENSATION</u>	18
<u>COMPENSATION COMMITTEE REPORT</u>	24
<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>	31
<u>SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	35
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	36
<u>OTHER INFORMATION</u>	38
<u>INDEPENDENCE STANDARDS</u>	APPENDIX A
<u>ENERSYS 2007 MANAGEMENT INCENTIVE PLAN</u>	APPENDIX B
<u>ANNUAL REPORT ON FORM 10-K</u>	APPENDIX C

**Table of Contents**

**NOTICE**  
**OF**  
**ANNUAL MEETING OF STOCKHOLDERS**  
**To Be Held July 19, 2007**

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NOTICE IS HEREBY GIVEN that the annual meeting of stockholders (the Annual Meeting ) of EnerSys will be held on Thursday, July 19, 2007, at 10:00 a.m. (Eastern time) at its corporate offices located at 2366 Bernville Road, Reading, Pennsylvania 19605, for the following purposes:

- (1) Proposal No. 1: To elect three (3) Class III directors of EnerSys, each to serve for a term of three years and until their respective successors shall have been elected and qualified;
- (2) Proposal No. 2: To ratify the appointment of Ernst & Young LLP as EnerSys independent registered public accounting firm for the fiscal year ending March 31, 2008;
- (3) Proposal No. 3: To approve the EnerSys 2007 Management Incentive Plan; and
- (4) To transact such other business as may properly be presented at the Annual Meeting or any adjournment or postponement thereof.

Only stockholders of record at the close of business on June 1, 2007, are entitled to notice of, and to vote at, the Annual Meeting or any adjournment or postponement thereof.

WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING IN PERSON, IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AND VOTED AT THE ANNUAL MEETING. STOCKHOLDERS OF RECORD MAY VOTE BY TELEPHONE, THROUGH THE INTERNET OR BY SIGNING, DATING AND RETURNING THE ENCLOSED PROXY CARD IN THE ENVELOPE PROVIDED. SPECIFIC INSTRUCTIONS FOR TELEPHONE AND INTERNET VOTING ARE SET FORTH ON THE ENCLOSED PROXY CARD.

By Order of the Board of Directors

**Richard W. Zuidema**

**Executive Vice President Administration and**

**Secretary**

Reading, Pennsylvania

June 19, 2007

**Table of Contents**

**PROXY STATEMENT**

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**GENERAL INFORMATION**

**Solicitation of Proxies.** The Board of Directors of EnerSys is providing this Proxy Statement to solicit proxies for use at EnerSys' annual meeting of stockholders to be held at its corporate offices located at 2366 Bernville Road, Reading, Pennsylvania 19605 on Thursday, July 19, 2007, at 10:00 a.m. (Eastern time) or any adjournment or postponement thereof (the "Annual Meeting"). EnerSys is first delivering this Proxy Statement, the foregoing notice and the accompanying proxy card to stockholders on or about June 19, 2007. EnerSys will pay the expense of soliciting proxies. EnerSys expects to solicit proxies primarily by mail and through the Internet. EnerSys' directors, officers and team members may also solicit proxies personally or by electronic means.

**Purpose of the Meeting.** At the Annual Meeting, our stockholders will be asked to vote on the following proposals:

Proposal No. 1: To elect three (3) Class III directors of EnerSys, each to serve for a term of three years and until their respective successors shall have been elected and qualified;

Proposal No. 2: To ratify the appointment of Ernst & Young LLP as EnerSys' independent registered public accounting firm for the fiscal year ending March 31, 2008; and

Proposal No. 3: To approve the EnerSys 2007 Management Incentive Plan.

**Record Date.** Only stockholders of record at the close of business on June 1, 2007 (the "Record Date"), are entitled to notice of, and to vote at, the Annual Meeting. At the close of business on the Record Date, there were 47,107,504 shares of EnerSys common stock outstanding, each of which will be entitled to one vote at the Annual Meeting.

**Quorum.** The presence, in person or by proxy, of stockholders entitled to cast at least a majority of the votes that all stockholders are entitled to cast will constitute a quorum at the Annual Meeting. Proxies received but marked as abstentions and broker non-votes will be included in the calculation of the number of votes considered to be present at the Annual Meeting for purposes of determining the presence of a quorum.

**Voting and Revocation of Proxies.** Stockholders of record can choose one of the following three ways to vote:

1. By mail: Complete, sign, date and return the enclosed proxy card in the pre-paid envelope provided. If you return the signed proxy card but do not mark the boxes showing how you wish to vote, your votes will be cast FOR the election of all director nominees, FOR ratification of the appointment of Ernst & Young LLP as EnerSys' independent registered public accounting firm, and FOR the approval of the EnerSys 2007 Management Incentive Plan.

2. By telephone: Call the toll-free telephone number on the proxy card (888-693-8683) and follow the instructions.

3. Through the Internet: Access the website [www.cesvote.com](http://www.cesvote.com) and follow the instructions.



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**Table of Contents**

We encourage each stockholder of record to submit their proxy electronically through the Internet, if that option is available, or by telephone. Delivery of a proxy in any of the three ways listed above will not affect a stockholder's right to attend the Annual Meeting and vote in person. If your shares are held in street name (that is, through a broker, trustee or other holder of record), you will receive a proxy card from your broker seeking instructions as to how your shares should be voted. If no instructions are given, your broker or nominee may vote your shares at its discretion on your behalf on routine matters (such as the election of directors and the ratification of the appointment of the independent auditors) under New York Stock Exchange rules. You may not vote shares held in street name at the Annual Meeting unless you obtain a legal proxy from your broker or holder of record.

Any stockholder giving a proxy may revoke it by doing any of the following:

Delivering a written notice of revocation to the Secretary of EnerSys, dated later than the proxy, before the vote is taken at the Annual Meeting;

Delivering a duly executed proxy to the Secretary of EnerSys, bearing a later date (including proxy by telephone or through the Internet) before the vote is taken at the Annual Meeting; or

Voting in person at the Annual Meeting (your attendance at the Annual Meeting, in and of itself, will not revoke the proxy). Any written notice of revocation, or later dated proxy, should be delivered to:

EnerSys  
2366 Bernville Road  
Reading, Pennsylvania 19605

Attention: Richard W. Zuidema, Executive Vice President Administration and Secretary

**Required Votes.** The affirmative vote of a plurality of the votes cast at the meeting is required for the election of director nominees. A properly executed proxy marked *WITHHOLD* with respect to the election of one or more director nominees will not be voted with respect to the director nominee or director nominees indicated.

The ratification of the appointment of Ernst & Young LLP as EnerSys' independent registered public accounting firm for the fiscal year ending March 31, 2008, and approval of the EnerSys 2007 Management Incentive Plan each require the affirmative vote of the holders of a majority of the shares represented and entitled to vote at the Annual Meeting. With respect to these matters, abstentions will have the same effect as voting against such proposals and broker non-votes, if any, will not constitute or be counted as votes cast for purposes of this proposal.

**Attendance at the Annual Meeting.** Attendance at the Annual Meeting will be limited to stockholders as of the Record Date, their authorized representatives and guests of EnerSys.

**Metalmark and our Institutional Stockholders.** Metalmark Capital LLC, an independent private equity firm established in 2004 by former principals of Morgan Stanley Capital Partners to manage Morgan Stanley Capital Partners' private equity funds and to make private equity investments in a broad range of industries (Metalmark), certain institutional stockholders, certain members of our senior management and our Company entered into a Securityholder Agreement, dated as of July 26, 2004 (the Securityholder Agreement), which governs certain relationships among such parties. Metalmark and the Institutional Stockholders (as defined below) may be deemed to be a group for purposes of Section 13(d)(3) or Section 13(g)(3) of the Securities Exchange Act of 1934 (the Exchange Act), and Rule 13d-5(b)(1) thereunder. As of June 1, 2007, the Institutional Stockholders held approximately 58% of the outstanding shares of our common stock. The Institutional Stockholders have advised us that they intend to vote all such shares in favor of the Board's nominees for director, in favor of the ratification of the appointment of Ernst & Young LLP as our independent



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**Table of Contents**

registered public accounting firm for the fiscal year ending March 31, 2008, and in favor of the EnerSys 2007 Management Incentive Plan. As a result, we are assured a quorum at the Annual Meeting, the election of the Board's nominees for directors, the ratification of the appointment of Ernst & Young LLP, and the approval of the EnerSys 2007 Management Incentive Plan.

The Institutional Stockholders are Morgan Stanley Dean Witter Capital Partners IV, L.P. ( MSCP IV, L.P. ), MSDW IV 892 Investors, L.P. ( MSCP IV 892, L.P. ), and Morgan Stanley Dean Witter Capital Investors IV, L.P. ( MSCI IV, L.P. ) (collectively, the MSCP Funds ), Morgan Stanley Global Emerging Markets Private Investment Fund, L.P., and Morgan Stanley Global Emerging Markets Private Investors, L.P. (collectively, the MSGEM Funds ), J.P. Morgan Direct Corporate Finance Institutional Investors LLC, J.P. Morgan Direct Corporate Finance Private Investors LLC, and 522 Fifth Avenue Fund, L.P. (collectively, the J.P. Morgan Funds ), and First Plaza Group Trust and Performance Direct Investments I, L.P. f/k/a GM Capital Partners I, L.P. (collectively, the GM Stockholders ). The MSCP Funds and the MSGEM Funds are hereinafter called, collectively, the Morgan Stanley Funds. For more information on the terms of, and the parties to, the Securityholder Agreement, see Certain Relationships and Related Transactions Securityholder Agreement herein.

The general partners of the Morgan Stanley Funds are wholly owned subsidiaries of Morgan Stanley. An affiliate of Metalmark manages MSCP Funds IV, L.P. and MSCP IV 892, L.P. pursuant to a subadvisory agreement (the Subadvisory Agreement ). In addition, under the Subadvisory Agreement, MSCI IV, L.P. is effectively obligated to vote or direct the vote and to dispose or direct the disposition of any of our shares owned directly by it on the same terms and conditions as MSCP IV, L.P. and MSCP IV 892, L.P. As a result of the Securityholder Agreement and the Subadvisory Agreement, Metalmark may be deemed to control our management and policies.

**PROPOSAL NO. 1**

**ELECTION OF DIRECTORS**

**General**

EnerSys certificate of incorporation provides that the Board of Directors shall consist of not less than three nor more than eleven members, as fixed by the Board of Directors from time to time. The certificate of incorporation also divides the Board into three classes, with each class to be as nearly equal in number as possible. The members of each class will serve for a staggered, three-year term. Upon the expiration of the term of a class of directors, nominees for directors in that class will be considered for election for three-year terms at the annual meeting of stockholders in the year in which the term of directors in that class expires.

EnerSys Board of Directors currently consists of nine members, divided into three classes. The classes are composed of the following directors:

Mr. Fry, Mr. Lehman and Mr. Marlo are Class I directors, whose terms will expire at the 2008 annual meeting of stockholders;

Mr. Chung, Mr. Hoffman and Mr. Katsaros are Class II directors, whose terms will expire at the 2009 annual meeting of stockholders; and

Mr. Clifford, Mr. Craig, and Mr. Hoffen are Class III directors, whose terms will expire at the 2007 annual meeting of stockholders.

**Director Nominees**

Based on the recommendation of the Nominating and Corporate Governance Committee, the Board of Directors has unanimously nominated Mr. Kenneth F. Clifford, Mr. John D. Craig, and Mr. Howard I. Hoffen for

**Table of Contents**

election as Class III directors of EnerSys. Each of the nominees currently serves as a director of EnerSys and has consented to being named in this Proxy Statement and to serve, if elected. Each of the directors elected at the Annual Meeting will hold office until the 2010 annual meeting of stockholders and until their successors are duly elected and qualified. If any of the nominees become unable to accept nomination or election, the persons named in the proxy may vote for a substitute nominee selected by the Board of Directors. EnerSys management, however, has no present reason to believe that any Class III nominee will be unable to serve as a director, if elected.

The three director nominees who receive the highest number of votes cast at the Annual Meeting will be elected Class III directors. Shares represented by properly delivered proxies will be voted for the Class III director nominees unless otherwise specified in the proxy by the stockholder. Any stockholder who wishes to withhold authority from the proxyholders to vote for the election of directors or to withhold authority to vote for any individual director nominee may do so by voting his or her proxy to that effect. Stockholders cannot cumulate their votes for the election of directors. No proxy may be voted for a greater number of persons than the number of director nominees named.

**RECOMMENDATION**

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF EACH OF THE DIRECTOR NOMINEES LISTED ABOVE.**

**BOARD OF DIRECTORS**

The following table sets forth certain information with respect to the Company's directors and the director nominees as of the Record Date:

Name	Age	Position with EnerSys	Year First Became Director	Term as Director will expire(1)
John D. Craig	56	Chairman of the Board, President and Chief Executive Officer	2000	2007
Hwan-yoon F. Chung	33	Director	2006	2009
Kenneth F. Clifford	50	Director	2005	2007
Eric T. Fry	40	Director	2000	2008
Howard I. Hoffen	43	Director	2000	2007
Michael C. Hoffman	44	Director	2004	2009
Arthur T. Katsaros	59	Director	2005	2009
John F. Lehman	64	Director	2004	2008
Dennis S. Marlo	64	Director	2004	2008

(1) Directors' terms of office are scheduled to expire at the annual meeting of stockholders to be held in the year indicated.

The principal occupation and business experience during the last five years of, and other information with respect to, each nominee for election as a director of EnerSys and of each continuing director is as follows:

**John D. Craig.** Mr. Craig has served as Chairman of the Board of Directors, President and Chief Executive Officer and a Director of EnerSys since November 2000. From 1998 to October 2000, he served as President and Chief Operating Officer of Yuasa, Inc., the predecessor company to EnerSys. Mr. Craig joined Yuasa in 1994. Mr. Craig received his Master of Electronics Engineering Technology degree from Arizona State University and his Bachelor's degree from Western Michigan University.

**Hwan-yoon F. Chung.** Mr. Chung has been a director of EnerSys since February 2006. Mr. Chung has been an Executive Director of Metalmark Capital LLC since its inception in 2004. Prior to joining



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**Table of Contents**

Metalmark, he was an Executive Director of Morgan Stanley Private Equity from 2002 to 2004, and Vice President of Morgan Stanley Private Equity from 2000 to 2002. He is also a director of ACG Holdings, Inc. Mr. Chung received his Bachelor of Arts in Philosophy from the College of Arts and Sciences of the University of Pennsylvania, and his Bachelor of Science degree in Economics from the Wharton School of Business of the University of Pennsylvania.

***Kenneth F. Clifford.*** Mr. Clifford has been a director of EnerSys since July 2005. Mr. Clifford has been the Chief Financial Officer and a Managing Director of Metalmark Capital LLC since its inception 2004. Prior to joining Metalmark, he was the Chief Financial Officer and a Managing Director of Morgan Stanley Capital Partners from 2000 to 2004. He joined Morgan Stanley in 1981 and Morgan Stanley Capital Partners in 1986. Mr. Clifford received his Bachelor of Science degree in Business and Economics from Lehigh University and his Master of Business Administration from New York University. He is a Certified Public Accountant in the State of New York.

***Eric T. Fry.*** Mr. Fry has been a Director of EnerSys since November 2000. Mr. Fry has been a Managing Director of Metalmark Capital LLC since its formation in 2004. Prior to joining Metalmark, he was a Managing Director of Morgan Stanley & Co. Incorporated ( MS & Co. ) and Morgan Stanley Capital Partners from 2002 to 2004, and Executive Director of Morgan Stanley Capital Partners from 1998 to 2001. He joined MS & Co. initially in 1989. Mr. Fry serves as a Director of Mericap Credit Holdings LLC, Vanguard Health Systems Inc., Southern Care Inc., Direct Response Corporation, Homesite Group, Inc., and American Color Graphics, Inc. Mr. Fry received his Master of Business Administration degree from Harvard Business School and his Bachelor of Science degree in Economics from The Wharton School at the University of Pennsylvania.

***Howard I. Hoffen.*** Mr. Hoffen has been a Director of EnerSys since November 2000. Mr. Hoffen has been the Chairman and Chief Executive Officer of Metalmark Capital LLC since its formation in 2004. Prior to joining Metalmark, from 2001 to 2004, he was the Chairman and CEO of Morgan Stanley Capital Partners and a Managing Director of MS & Co., since 1997. Mr. Hoffen serves as a Director of Catalytica Energy Systems, Inc., and Union Drilling, Inc., which are traded on the NASDAQ Stock Market. He is also a Director of the following private companies: Cantera Resources Holdings LLC, Concert Capital Resources, LP, Direct Response Corporation, Homesite Group, Inc., CP Power Inc., and Aqua Capital Management LLC. Mr. Hoffen received his Master of Business Administration degree from Harvard Business School and his Bachelor of Science degree from Columbia University.

***Michael C. Hoffman.*** Mr. Hoffman has been a Director of EnerSys since the completion of our initial public offering in August 2004. Mr. Hoffman has been a Managing Director of Metalmark Capital LLC since 2004. Prior to joining Metalmark, he was a Managing Director of Morgan Stanley Capital Partners from 1998 to 2004. He joined MS & Co. in 1986 and worked in the firm's Strategic Planning Group prior to joining Morgan Stanley Private Equity in 1990. Mr. Hoffman is a Director of Aventine Renewable Energy, Inc., and American Color Graphics, Inc. Mr. Hoffman received his Bachelor of Science degree in Operations Research and Industrial Engineering from Cornell University.

***Arthur T. Katsaros.*** Mr. Katsaros has been a Director of EnerSys since July 2005. Mr. Katsaros was most recently the Group Vice President Development and Technology of Air Products and Chemicals, Inc. since 2002 and until his retirement in April 2007. From 1996 through 2002, he was Group Vice President of Engineered Systems and Operations of Air Products. Mr. Katsaros received a Bachelor of Science degree in Chemical Engineering from Worcester Polytechnic Institute in 1969 and a Master of Business Administration from Lehigh University in 1977. He also completed the Advanced Management Program at Harvard University's Graduate School of Business in 1992.

***John F. Lehman.*** Mr. Lehman has been a Director of EnerSys since the completion of our initial public offering in August 2004. Mr. Lehman is a founding partner of J.F. Lehman & Company, a private equity firm, and has been its Chairman since November 1990. Prior to founding J.F. Lehman & Company, Mr. Lehman was a Managing Director in Corporate Finance at PaineWebber Incorporated, served for six years as Secretary of the Navy, was a member of the National Security Council Staff, served as a delegate to

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## **Table of Contents**

the Mutual Balanced Force Reductions negotiations and was the Deputy Director of the Arms Control and Disarmament Agency. Mr. Lehman serves as a Director of Ball Corporation, which is traded on the New York Stock Exchange. He is the Chairman of the following private companies: Special Devices, Incorporated, OAO Technology Solutions, Inc., Racal Instruments, Inc. and Racal Acoustics Ltd. He also serves as a Director of ISO Inc., a private company. Mr. Lehman is a member of the National Commission on Terrorist Attacks upon the United States. He is also Chairman of the Princess Grace Foundation. Mr. Lehman received his Bachelor of Science degree from St. Joseph's University, his Bachelor of Arts and Master of Arts degrees from Cambridge University and a Doctorate from the University of Pennsylvania.

**Dennis S. Marlo.** Mr. Marlo has been a Director of EnerSys since the completion of our initial public offering in August 2004. Mr. Marlo has served as an Executive Vice President of Sovereign Bancorp, Inc. since June 2004 and served as Chief Risk Management Officer of Sovereign Bancorp, Inc. from April 2001 through June 2004. Mr. Marlo joined Sovereign in February 1998 as the President of the Pennsylvania Division of Sovereign Bank and was appointed Chief Financial Officer and Treasurer of Sovereign in May 1998, serving in that capacity through April 2001. Prior thereto, Mr. Marlo served as President and Chief Executive Officer of ML Bancorp Inc., a predecessor company of Sovereign, and as a partner with KPMG, LLP. Mr. Marlo completed the Graduate School of Community Bank Management at the University of Texas at Austin and received his Bachelor of Science degree in Accounting from La Salle University. He is a certified public accountant.

Messrs. Chung, Clifford, Fry, Hoffen and Hoffman serve on our Board of Directors as designated by Metalmark pursuant to the Securityholder Agreement and the Subadvisory Agreement. Such agreements effectively permit Metalmark to designate a majority of the nominees for election to our Board of Directors. The Securityholder Agreement also provides that our Chief Executive Officer shall be nominated to the Board of Directors. The stockholders party to the Securityholder Agreement, including certain members of our senior management, have agreed to vote their shares of our common stock to elect these nominees for director.

## **CORPORATE GOVERNANCE**

### **Controlled Company Exemption**

Because Metalmark and the Institutional Stockholders, who are party to the Securityholder Agreement, hold more than 50% of the voting power of EnerSys, we are a controlled company under the New York Stock Exchange listing requirements. So long as we are a controlled company, we may elect not to comply with the NYSE's requirements that a majority of our Board of Directors be independent directors and that all the members of our Compensation Committee and Nominating and Corporate Governance Committee be independent directors. We have so elected and, accordingly, we do not have a majority of independent directors on our Board of Directors, and our Nominating and Corporate Governance Committee is not comprised entirely of independent Directors. Our Compensation Committee was not composed entirely of independent directors during our 2007 fiscal year; however, effective as of April 1, 2007, our Board reconstituted the Compensation Committee such that it now consists solely of independent directors. Except for this change, which we could revoke at any time, we intend to continue to take advantage of the controlled company exemption unless and to the extent Metalmark shall otherwise request.

### **Independence of Directors**

On June 6, 2007, EnerSys Board of Directors determined that Messrs. Katsaros, Lehman and Marlo are independent from EnerSys and EnerSys management under the NYSE's listing standards. These standards are attached as Appendix A. The Board considered the NYSE standards, the fact that there were no transactions or arrangements between the directors and EnerSys (other than the consideration for serving as a director) and all other relevant facts and circumstances in making these independence determinations and concluded that there were no material relationships between either of Messrs. Katsaros, Lehman or Marlo and EnerSys.

There are no family relationships among our directors or executive officers.

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## **Table of Contents**

### **Access to Corporate Governance Documents**

EnerSys corporate governance information and materials, including our Corporate Governance Guidelines, charters of the Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee, and Code of Business Conduct and Ethics, are available on the Investor Relations page of EnerSys website at [www.enersys.com](http://www.enersys.com) and any stockholder may obtain printed copies of these documents by writing to Investor Relations at: EnerSys, 2366 Bernville Road, Reading, Pennsylvania 19605, by e-mail at: [investorrelations@enersys.com](mailto:investorrelations@enersys.com) or by calling Investor Relations at (610) 236-4040. Information contained on the website is not incorporated by reference or otherwise considered part of this Proxy Statement.

### **Committees of our Board of Directors**

Our Board of Directors has an Audit Committee, a Compensation Committee, and a Nominating and Corporate Governance Committee, each of which has the composition and responsibilities described below. Our Board of Directors, from time to time, may establish other committees.

#### ***Audit Committee***

Our Audit Committee consists of Messrs. Marlo (Chairperson), Katsaros and Lehman. The Board of Directors has determined that Mr. Marlo is an audit committee financial expert, as such term is defined in rules promulgated by the SEC under the Exchange Act. The Board of Directors has determined that Messrs. Katsaros, Lehman and Marlo are independent directors. EnerSys Audit Committee held a total of six (6) meetings in the fiscal year ended March 31, 2007, three (3) of which were in person and three (3) of which were held telephonically.

The Audit Committee is responsible for:

appointing, compensating and overseeing the Company's independent registered public accounting firm ( independent auditors );

overseeing management's fulfillment of its responsibilities for financial reporting and internal control over financial reporting; and

overseeing the activities of the Company's internal audit function.

For additional information, see Audit Committee Report herein and the Company's Audit Committee Charter, which is available on the Investor Relations page of our website at [www.enersys.com](http://www.enersys.com).

#### ***Compensation Committee***

Our Compensation Committee consisted of Messrs. Hoffen (Chairman), Fry and Marlo during our 2007 fiscal year. The Board of Directors has determined that Mr. Marlo is an independent director. Messrs. Hoffen and Fry are not independent directors by virtue of their affiliations with Metalmark, which beneficially owns more than 49% of our outstanding common stock and is part of a control group which collectively owns 58% of our outstanding common stock. Effective as of April 1, 2007, the Compensation Committee consists of Messrs. Marlo (Chairperson), Katsaros, and Lehman, each of whom the Board of Directors has determined to be independent directors.

The Compensation Committee is responsible for:

reviewing and approving the compensation of our Chief Executive Officer ( CEO ) and executive officers other than the CEO;

reviewing and consulting with the CEO on the selection of officers and evaluation of executive performance and other related matters; and



administering our equity plans and other incentive compensation plans.

## **Table of Contents**

More specifically, the Compensation Committee has sole authority to set the base salaries of our CEO and named executive officers other than the CEO; and to recommend equity-based and incentive-based compensation for our executive officers to the Board for approval. It engages its own independent compensation consultant, currently Frederic W. Cook & Co. Inc., to review the compensation levels of executive officers at our peer companies, assess total compensation of our executive officers and make recommendations about changes in the compensation. The Compensation Committee also considers recommendations from our CEO with respect to the base salary of our other executive officers. The Committee, with input from its independent compensation consultant and our CEO (except with respect to his own compensation), makes recommendations about equity-based and incentive-based compensation for our executive officers to the Board for approval. The Compensation Committee utilizes a similar methodology for setting director compensation and meeting fees, which are also subject to Board approval.

None of our executive officers serves as a member of the Board of Directors or the Compensation Committee of any entity that has one or more executive officers who serve on our Board of Directors or Compensation Committee.

This Committee held a total of nine (9) meetings in the fiscal year ended March 31, 2007, three (3) of which were in person, and six (6) of which were held telephonically.

### ***Nominating and Corporate Governance Committee***

Our Nominating and Corporate Governance Committee consists of Messrs. Hoffen (Chairperson), Fry and Marlo. The Nominating and Corporate Governance Committee is responsible for identifying and recommending potential candidates qualified to become board members, recommending directors for appointment to board committees and developing and recommending to our Board of Directors a set of corporate governance principles. The Committee held a total of four (4) meetings in the fiscal year ended March 31, 2007, three (3) of which were in person, and one (1) of which was held telephonically.

### **Process for Selection of Director Nominee Candidates**

The Nominating and Corporate Governance Committee believes that the minimum qualifications for serving as a director of EnerSys are that a candidate demonstrate, by significant accomplishments in his or her field, an ability to make a meaningful contribution to the Board of Directors oversight of the business and affairs of EnerSys and have an impeccable record and reputation for honest and ethical conduct in his or her professional and personal activities. In addition, the Nominating and Corporate Governance Committee considers the following characteristics in reviewing director candidates:

integrity and character;

sound and independent judgment;

breadth of experience;

insight and knowledge;

business acumen;

leadership skills;

scientific or technology expertise;

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familiarity with issues affecting global businesses in diverse industries;

prior government service; and

diversity of backgrounds and experience.

## **Table of Contents**

In addition to these requirements, the Nominating and Corporate Governance Committee will also evaluate, in the context of the needs of the Board, whether the nominee's skills are complementary to the existing Board members' skills, and assess any material relationships with EnerSys or third parties that might adversely impact independence and objectivity, as well as such other criteria as the Nominating and Corporate Governance Committee determines to be relevant at the time. The Nominating and Corporate Governance Committee, Committee Chair and/or EnerSys' Chief Executive Officer interview candidates that meet the criteria, and the Nominating and Corporate Governance Committee selects candidates that best suit the Board's needs. EnerSys may from time to time hire an independent search firm to help identify and facilitate the screening and interview process of director candidates.

Stockholders may recommend qualified persons for consideration by the Nominating and Corporate Governance Committee. Stockholders making a recommendation must submit the same information as that required to be included by EnerSys in its Proxy Statement with respect to nominees of the Board of Directors. The stockholder recommendation should be submitted in writing, addressed to EnerSys at 2366 Bernville Road, Reading, Pennsylvania 19605 (Attn: Richard W. Zuidema, Executive Vice President Administration and Secretary).

The Nominating and Corporate Governance Committee's evaluation process does not vary based on whether or not a candidate is recommended by a stockholder. However, the Nominating and Corporate Governance Committee will also review the performance as a director of any person already serving on the Board of Directors of EnerSys in determining whether to recommend that the Director be re-nominated.

## **Charters of the Committees of the Board of Directors**

The Audit Committee, Nominating and Corporate Governance Committee, and Compensation Committee each operate pursuant to a written charter adopted by the Board of Directors. Each Committee reviews its charter at least annually. Copies of the charters are available on the Investor Relations page of EnerSys' website at [www.enersys.com](http://www.enersys.com) or in print upon request. See Corporate Governance Access to Corporate Governance Documents.

## **Director Attendance at Board, Committee and Annual Meetings**

EnerSys' Corporate Governance Guidelines provide that directors are expected to attend meetings of the Board and meetings of the committees on which they serve. During our fiscal year 2007, the Board of Directors met a total of six (6) times. Each director attended at least 75% of the total number of meetings of the Board and its committees on which the director served during the fiscal year, based on the number of such meetings held during the period for which each person served as a director or on a committee. It is the Company's policy that directors are invited to the Annual Meeting but are not required to attend. The Chairman of the Board attended the 2006 annual meeting of stockholders.

## **Executive Sessions of Non-Management Directors**

The Board has established a policy requiring non-management directors to meet in executive session periodically during the course of each year and has established procedures for determining which non-management director will serve as the presiding director for these executive sessions. The presiding director is designated by the Board of Directors. Mr. Hoffen has been designated as the presiding director for fiscal year 2008. In addition, it is expected that at least once a year the independent directors will meet in a separate executive session.

## **Communications with the Board of Directors**

Stockholders and other interested parties, who desire to communicate directly with any member (or all members) of the Board, any Board committee or any chair of any such committee should submit such

## **Table of Contents**

communication in writing addressed to the Presiding Director or Non-Management Directors, at EnerSys, P.O. Box 14145, Reading, Pennsylvania 19612 or by email to the Presiding Director or Non-Management Directors at *presidingdirector@enersys.com*. Communications intended for the full Board of Directors may be submitted in the same manner.

Stockholders, employees and other interested parties who desire to express a concern relating to accounting or auditing matters should communicate directly with EnerSys Audit Committee in writing addressed to the Audit Committee Chair at EnerSys, P.O. Box 14145, Reading, Pennsylvania 19612 or by e-mailing the Audit Committee at *auditcommittee@enersys.com*.

## **Code of Business Conduct and Ethics**

The Board has adopted a Code of Business Conduct and Ethics that is applicable to our Chief Executive Officer, Chief Financial Officer and Controller, as well as our other officers, directors and employees. The code is available on the Investor Relations page of EnerSys website at *www.enersys.com* or in print upon request. See Corporate Governance Access to Corporate Governance Documents. Any amendment to, or waiver from, the Code for executive officers or directors will be disclosed on the Investor Relations page of EnerSys website at *www.enersys.com*.

## **DIRECTOR COMPENSATION**

EnerSys believes that the amount, form and methods used to determine director compensation are important ingredients in (i) attracting and retaining directors who are independent, interested, diligent and actively involved in overseeing EnerSys affairs; and (ii) more substantially aligning the interests of EnerSys directors with the interests of EnerSys stockholders.

### **Compensation Paid to Board Members**

In fiscal year 2007, our Compensation Committee engaged Frederic W. Cook & Co., Inc., as an independent compensation consultant to the Compensation Committee, to study a peer group of companies to determine whether the Company should modify its non-employee director compensation package. Based on this study, our Compensation Committee recommended, and the Board of Directors approved, changes to our director compensation that were effective as of October 1, 2006. The annual retainer of \$50,000 in cash remained unchanged. Meeting and other fees were changed as follows:

In-person board meetings to \$1,500 each from \$2,500

Telephonic Board meetings to \$750 each from \$1,250

In-person committee meetings to \$1,500 each from \$1,000

Telephonic committee meetings to \$750 each from \$500

Audit Committee Chairperson to \$10,000 per year from \$0

Committee (non-Audit) Chairperson to \$5,000 per year from \$0

The Compensation Committee determined that total non-employee director compensation should consist of a greater amount of equity-based compensation and recommended, and the Board approved, a grant of restricted stock units covering \$47,000 of Company common stock (valued as of the date of grant) to each non-employee director in lieu of the annual grant of options covering 2,500 shares of company common stock that had been provided in prior fiscal years. The restricted stock units vest 25% per quarter until fully vested immediately prior to the annual meeting of stockholders following such grant. Because the grant in 2006 occurred subsequent to the 2006 annual meeting, the vesting of 50% of the units was accelerated to March 14, 2007. The compensation payable under these restricted stock units may be deferred in accordance with

the EnerSys Stock Unit Deferred

**Table of Contents**

Compensation Plan for Directors. Under that plan, at a director's election, the shares otherwise payable (together with any dividends thereon) will be credited to a hypothetical bookkeeping account in the director's name and will be paid to the director in a lump sum at the time specified in the election (or, if earlier, upon a change in control of the Company or the director's death).

**DIRECTOR COMPENSATION FOR FISCAL YEAR 2007**

The table set forth below summarizes the compensation paid by the Company to our non-employee directors for the fiscal year ended March 31, 2007. None of the non-employee directors received option awards, non-equity incentive plan compensation, pension or other non-qualified deferred compensation or any other compensation for the fiscal year ended March 31, 2007.

Name(1)	Fees Earned		Total
	Paid in Cash	Stock Awards(2)	
<b>Hwan-yoon F. Chung</b>	\$ 58,000	\$ 47,000	\$ 105,000
<b>Kenneth F. Clifford</b>	\$ 58,000	\$ 47,000	\$ 105,000
<b>Eric T. Fry</b>	\$ 67,000	\$ 47,000	\$ 114,000
<b>Howard I. Hoffen</b>	\$ 67,500	\$ 47,000	\$ 114,500
<b>Michael C. Hoffman</b>	\$ 58,000	\$ 47,000	\$ 105,000
<b>Arthur T. Katsaros</b>	\$ 63,250	\$ 47,000	\$ 110,250
<b>John F. Lehman</b>	\$ 59,250	\$ 47,000	\$ 106,250
<b>Dennis S. Marlo</b>	\$ 81,000	\$ 47,000	\$ 128,000
<b>John D. Craig(3)</b>			

- Each of our directors, except for Mr. Craig, owns 2,871.1057 RSUs, 50% of which were vested at March 31, 2007. In addition, each of Messrs. Fry, Hoffen, Hoffman, Lehman and Marlo owns 5,000 vested stock options at March 31, 2007; and each of Messrs. Clifford and Katsaros owns 2,500 vested stock options at March 31, 2007. Messrs. Chung, Clifford, Fry, Hoffen and Hoffman disclaim beneficial ownership of such RSUs and stock options as a result of their respective employment arrangements with Metalmark, except to the extent of their pecuniary interest therein ultimately realized.
- Non-employee directors received an annual grant of 2,871.1057 restricted stock units ( RSUs ) on February 12, 2007, covering shares valued at \$47,000 on the date of the grant. This value was also the accounting expense under SFAS 123R that will be amortized over the vesting period. Because the grant occurred subsequent to the 2006 annual meeting of stockholders, which is the customary grant date, the RSUs were vested 50% March 14, 2007, 25% on April 20, 2007, and will be fully vested on July 19, 2007, the date of the 2007 annual meeting of stockholders.
- See the Summary Compensation Table below for disclosures related to John D. Craig, who is also an executive officer of the Company.

**PROPOSAL NO. 2****RATIFICATION OF APPOINTMENT OF****INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee of the Board of Directors of EnerSys has appointed Ernst & Young LLP as EnerSys' independent registered public accounting firm for the fiscal year ending March 31, 2008. No determination has been made as to what action the Audit Committee would take if stockholders do not ratify the appointment.

Ernst & Young LLP conducted the audit of the financial statements of EnerSys and its subsidiaries for the fiscal year ended March 31, 2007. Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting, will be given an opportunity to make a statement if they desire to do so, and will be available to answer appropriate questions from stockholders.

**Table of Contents**

**RECOMMENDATION**

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS ENERSYS INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING MARCH 31, 2008.**

**AUDIT COMMITTEE REPORT**

**Background**

The members of the Audit Committee are currently Directors Dennis S. Marlo (Chairperson), Arthur T. Katsaros and John F. Lehman. The Board, in the exercise of its business judgment, has determined that each member of the Audit Committee is financially literate as required under the NYSE's listing standards and has determined that Mr. Marlo qualifies as the Committee's audit committee financial expert as defined in relevant SEC rules. During the 2007 fiscal year the Audit Committee of the Board of Directors of EnerSys was composed of three directors, each of whom has been determined to be independent by EnerSys Board consistent with the listing standards of the NYSE. For additional information relating to the responsibilities of EnerSys Audit Committee, see Corporate Governance Committees of our Board of Directors Audit Committee.

**Responsibility**

Management is responsible for the preparation of financial statements and the integrity of the reporting process, including the system of internal and disclosure controls.

The independent registered public accounting firm (the independent auditors) is responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles in the United States.

The primary responsibilities of the Audit Committee are to select, engage and compensate EnerSys outside independent auditors and to oversee EnerSys financial reporting process on behalf of the Board. It is not the duty of the Audit Committee to prepare financial statements and related disclosures. It is also not the duty of the Audit Committee to plan or conduct audits, or to determine that EnerSys financial statements are complete and accurate and in accordance with generally accepted accounting principles in the United States.

**Process and Recommendation**

In fulfilling its responsibilities, the Audit Committee reviewed and discussed the audited financial statements for the fiscal year ended March 31, 2007, with EnerSys management and with EnerSys independent auditors,