

DELPHI AUTOMOTIVE SYSTEMS CORP
Form DEF 14A
March 16, 2001

SCHEDULE 14A INFORMATION

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Definitive Proxy Statement

Confidential, for Use of the Commission Only
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Definitive Additional Materials

Soliciting Material Pursuant to Rule 14a-11(c) or Rule
14a-12

DELPHI AUTOMOTIVE SYSTEMS CORPORATION

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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(1) Title of each class of securities to which transaction applies:

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(3) Filing Party:

(4) Date Filed:

[LOGO OF DELPHI AUTOMOTIVE SYSTEMS]

DELPHI AUTOMOTIVE SYSTEMS CORPORATION

5725 Delphi Drive
Troy, Michigan 48098

March 16, 2001

TO OUR STOCKHOLDERS:

Our 2001 annual meeting of stockholders will be held at Kent State University Trumbull Campus, 4314 Mahoning Avenue, N.W., Warren, Ohio, on May 2, 2001. This is our second annual meeting since we became an independent company in 1999.

The annual meeting will begin promptly at 8:00 a.m., local time. If you plan to attend the meeting, please check the box on your proxy card indicating your intention to do so.

Please read these materials so that you will know what we plan to do at the meeting. Also, please either sign and return the accompanying proxy card in the enclosed postage-paid envelope or instruct us via the Internet or by telephone as to how you would like to vote your shares. By doing this, your shares will be voted as you direct even if you cannot attend the meeting. Instructions on how to vote your shares are on the proxy card enclosed with this proxy statement. Stockholders may also obtain the notice of annual meeting and the proxy statement at Delphi's home page on the World Wide Web (www.delphiauto.com). Those of our stockholders who have consented to receiving these materials electronically rather than receiving paper copies in the mail will receive only a copy of the notice of annual meeting and the proxy card by mail.

/s/ J.T. Battenberg III
J. T. Battenberg III
Chairman, Chief Executive Officer and President

Whether or not you plan to attend the meeting, please provide your proxy by using the Internet, calling the toll-free telephone number, or filling in, signing, dating, and promptly mailing the accompanying proxy card in the enclosed envelope.

[LOGO OF DELPHI AUTOMOTIVE SYSTEMS]

Notice of Annual Meeting of Stockholders

The annual meeting of stockholders of Delphi Automotive Systems Corporation will be held at Kent State University Trumbull Campus, 4314 Mahoning Avenue, N.W., Warren, Ohio, on Wednesday, May 2, 2001, at 8:00 a.m., local time. The purpose of the meeting is to vote on the proposals listed below and to transact such other business as may properly come before the meeting or any adjournment or postponement of the meeting.

- Proposal 1.** The election of five directors to three-year terms on the Board of Directors. The Board has nominated for re-election Oscar de Paula Bernardes Neto, Dr. Bernd Gottschalk, John D. Opie, Roger S. Penske and Patricia C. Sueltz, all current directors.
- Proposal 2.** The ratification of Deloitte & Touche LLP as Delphi's independent public accountants for 2001. Deloitte & Touche LLP served in this same capacity in 2000.
- Proposal 3.** A stockholder proposal relating to the redemption of Delphi's stockholder rights plan.
- Proposal 4.** A stockholder proposal relating to the adoption of a code for Delphi's international operations.
- Proposal 5.** A stockholder proposal relating to management compensation.
- Proposal 6.** A stockholder proposal relating to the annual election of directors.

The record date for the annual meeting is March 2, 2001. Only stockholders of record at the close of business on that date may vote at the meeting.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ Diane L. Kaye

DIANE L. KAYE
Secretary

Troy, Michigan
March 16, 2001

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[LOGO OF DELPHI AUTOMOTIVE SYSTEMS]

March 16, 2001

DELPHI AUTOMOTIVE SYSTEMS CORPORATION

5725 Delphi Drive
Troy, Michigan 48098

Proxy Statement

The Delphi Board of Directors is soliciting proxies to be used at the 2001 annual meeting. You are invited to attend the annual meeting and vote your shares directly. Even if you do not attend, you may vote by proxy, which allows you to direct another person to vote your shares at the meeting on your behalf. This proxy statement and the accompanying proxy card are being distributed beginning March 16, 2001.

Our Second Annual Meeting as an Independent Company

We became an independent company during 1999 through a series of transactions that occurred in two stages, the first of which involved an offering to the public of 100 million shares of Delphi's common stock in February 1999. The second stage involved the distribution in May 1999 of Delphi's remaining shares owned by General Motors Corporation to holders of record of General Motors Corporation's \$1-2/3 par value common stock. The dividend resulted in a distribution of about 452.6 million shares, or 80.1%, of Delphi's outstanding common stock. The remaining 12.4 million shares owned by General Motors Corporation were contributed on May 28, 1999 to a voluntary employee's beneficiary association trust for General Motors Corporation's U.S. hourly employees. Certain information provided in this proxy statement relates to periods before the May 1999 distribution by General Motors Corporation. We specifically identify such information where it is presented.

Who Can Vote

Stockholders of record of our common stock at the close of business on March 2, 2001 may vote at the annual meeting.

On March 2, 2001, 559,859,518 shares of our common stock were outstanding. Each stockholder has one vote for each share of common stock owned of record at the close of business on the record date.

How You Can Vote

Stockholders of record can give a proxy to be voted at the meeting in any one of the following ways:

over the Internet,

over the telephone by calling the toll-free number identified on the attached proxy card, or

by completing and mailing in the enclosed proxy card.

Stockholders who hold their shares through a broker (in street name) must vote their shares in the manner prescribed by their broker.

The Internet and telephone voting procedures have been set up for your convenience. These procedures are designed to authenticate your identity, to allow you to give voting instructions, and to confirm that those instructions have been recorded properly. If you are a stockholder of record and you would like to vote by using the Internet or by telephone, please refer to the specific instructions contained in the enclosed proxy card. If you wish to vote using the enclosed proxy card, please sign and return your signed proxy to us before the annual meeting, and we will vote your shares as you direct.

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Whether you vote over the Internet, by telephone or by mail, you can specify whether your shares should be voted for all, some, or none of the nominees for director (Proposal 1 on the proxy card). You can also specify whether you approve, disapprove, or abstain from the other proposals presented at the meeting. Proposals 1 and 2 will be presented at the meeting by management, and the rest may be presented by stockholders. The proposals are described in this proxy statement under the **Proposals Requiring Your Vote** section beginning on page 4 of this proxy statement.

If you do not specify on your proxy card (or when giving your proxy over the Internet or by telephone) how you want to vote your shares, we will vote them For the election of all nominees for director as set forth under Proposal 1 in the section entitled Proposals Requiring your Vote below, For Proposal 2 and Against Proposal 3, Proposal 4, Proposal 5 and Proposal 6.

Revocation of Proxies

You may revoke your proxy at any time before it is exercised in any of three ways:

- (1) by notifying Delphi's secretary in writing;
- (2) by submitting another proxy via the Internet, by telephone, or by mail that is received later and, if by mail, that is properly signed; or
- (3) by voting in person at the meeting.

You will not revoke a proxy merely by attending the meeting; to revoke a proxy, you must take one of the actions described above.

How to Vote Under Our Employee Plans

If you participate in the Delphi Personal Savings Plan for Hourly-Rate Employees in the United States, the Delphi Automotive Systems Corporation Savings-Stock Purchase Program for Salaried Employees in the United States, the ASEC Manufacturing Savings Plan, the General Motors Savings-Stock Purchase Program for Salaried Employees in the United States, the General Motors Personal Savings Plan for Hourly-Rate Employees in the United States, the General Motors Canadian Savings-Stock Purchase Program, the Saturn Individual Savings Plan for Represented Members or the GMAC Mortgage Corporation Savings Incentive Plan, then you may be receiving these materials because of shares held for you in the plan. In that case, you may use the enclosed proxy card to instruct the plan trustees, plan committees or independent fiduciaries of those plans how to vote your shares, or give those instructions over the Internet or the telephone. They will vote the shares in accordance with your instructions and the terms of the plan.

If you do not provide voting instructions for shares held for you in any of these plans, then:

the trustee, plan committee or independent fiduciary will vote in its discretion any shares held in the following plans:

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the General Motors Savings-Stock Purchase Program for Salaried Employees in the United States.

your shares will not be voted for the following plans:

the Delphi Personal Savings Plan for Hourly-Rate Employees in the United States;

the General Motors Canadian Savings-Stock Purchase Program;

the General Motors Personal Savings Plan for Hourly-Rate Employees in the United States;

the Saturn Individual Savings Plan for Represented Members; and

the GMAC Mortgage Corporation Savings Incentive Plan.

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your shares will be voted in the same ratio as the shares with respect to which the trustee is instructed for the following plans:

the Delphi Automotive Systems Corporation Savings-Stock Purchase Program for Salaried Employees in the United States; and

the ASEC Manufacturing Savings Plan.

In accordance with the terms of the applicable employee plan and to the extent permitted under applicable law, you are considered the named fiduciary (as defined in the Employee Retirement Income Security Act of 1974, as amended) of the employee plan with regard to the stock funds in which you invest and otherwise exercise control. If you participate in any of these plans or maintain other accounts under more than one name, you may receive more than one set of proxy materials. To be sure that all shares are counted, you must sign and return every proxy card you receive or, alternatively, vote all these shares by the Internet or telephone.

Required Votes

The presence, in person or by proxy, of the holders of a majority of the voting power of all outstanding shares of our common stock entitled to vote generally at the annual meeting is necessary to constitute a quorum. In the election for directors, the five persons receiving the highest number of For votes will be elected. Stockholders may not cumulate their votes in the election of directors.

The affirmative vote of a majority of shares present in person or represented by proxy at the meeting and entitled to vote, and voting in favor of or against the matter presented, is required to approve each proposal other than the election of directors. Each share of common stock carries one vote.

Abstentions are counted as shares present at the meeting for purposes of determining whether a quorum exists. However, since abstentions are not votes in favor of or against any matter, they will not affect the outcome of the vote. Proxies submitted by brokers that do not indicate a vote for some or all of the proposals because they do not have discretionary voting authority and have not received instructions as to how to vote on those proposals (so-called broker nonvotes) are also considered shares present, but also will not affect the outcome of any vote.

Other Matters to be Acted Upon at the Meeting

We do not know of any other matters to be presented or acted upon at the meeting, except that we have been informed that one of Delphi's stockholders intends to submit proposals for a shareholder vote at the meeting that Delphi report (i) on the recommendations of certain unnamed institutional investors and proxy analysts as to matters to be presented for action at the meeting by Delphi or by others, (ii) the percentage, if any, of outstanding stock voted by trustees appointed by Delphi, which is beneficially owned by Delphi employees, (iii) the percentage of stock held of record by State Street Bank and beneficially owned by employees of Delphi or General Motors Corporation and (iv) the audit-related qualifications of the Audit Committee members. If any of the foregoing proposals is properly brought before the meeting by the stockholder, the shares represented by proxies will be voted against it. If any other matter is presented at the meeting on which a vote may properly be taken, the shares represented by proxies will be voted in accordance with the judgment of the person or persons voting those shares.

Where to Find Voting Results

We will publish the voting results in our Form 10-Q for the second quarter of 2001. You will also be able to find the results in the investor information section of Delphi's home page on the World Wide Web (www.delphiauto.com).

Proposals Requiring Your Vote

The proposals set out below will be voted on at the meeting. We will present Proposal 1 and Proposal 2, and we expect the remaining proposals to be presented by stockholders. In accordance with SEC rules, the text of each of the stockholder proposals is printed exactly as it was submitted.

When providing your proxy, whether by the Internet, the telephone, or mail, you will be able to designate whether your shares are voted to approve or disapprove, or to abstain from, each of the proposals.

PROPOSAL 1

Election of Directors

The first proposal on the agenda for this year's annual meeting will be to elect five directors to serve as Class II directors for a three-year term beginning at the meeting and expiring at the 2004 annual stockholders' meeting or until succeeded by another qualified director who has been properly elected. The Board of Directors currently consists of thirteen directors divided into three classes (Class I, Class II and Class III) serving staggered three-year terms. The Class II directors are up for election at the meeting. The nominees for election are Oscar de Paula Bernardes Neto, Dr. Bernd Gottschalk, John D. Opie, Roger S. Penske and Patricia C. Sultz, all current Class II directors. The Class I and Class III directors will continue in office following the meeting. Their terms will expire in 2002 (Class III) and 2003 (Class I). For information regarding the director nominees and our other directors, see the "The Board of Directors" section beginning on page 13 of this proxy statement.

We will vote your shares as you specify when providing your proxy. If you do not specify how you want your shares voted when you provide your proxy, we will vote them for the election of all the nominees. If unforeseen circumstances (such as death or disability) make it necessary for the Board of Directors to substitute another person for any of the nominees, we will vote your shares for that other person.

PROPOSAL 2

Selection of Independent Public Accountants

The Audit Committee of the Board of Directors selects the independent public accountants to audit Delphi's books of account and other corporate records. The Audit Committee's selection of Deloitte & Touche LLP to audit Delphi's books of account and other corporate records for 2001, which has been approved by the Board of Directors, is being submitted to you for ratification. Representatives of Deloitte & Touche LLP will be at the meeting, will have the opportunity to make a statement at the meeting if they desire to do so, and will be available to respond to appropriate questions.

Delphi management will present the following resolution at the meeting:

RESOLVED: That the selection of Deloitte & Touche LLP as independent public accountants to audit the books of account and other corporate records of the Company for 2001 is ratified.

The Board of Directors recommends a vote For Proposal 2. Proxies solicited by the Board of Directors will be voted For this Proposal 2 unless stockholders specify a different choice.

Stockholder Proposals

The following proposals, Proposal 3, Proposal 4, Proposal 5 and Proposal 6, have been made by Delphi stockholders identified below and may be presented at the meeting.

PROPOSAL 3

John Chevedden, 2215 Nelson Ave., No. 205, Redondo Beach, CA 90278, a Delphi shareholder, on behalf of Ray T. Chevedden and Veronica G. Chevedden, owners of 1,397 shares of common stock, has given

notice that he intends to present for action at the annual meeting the following resolution and has furnished the following statement in support of the proposal:

RESOLVED:

ADOPT RESOLUTION THAT WON 60% OF SHAREHOLDER VOTE in 2000: SHAREHOLDER RIGHT TO VOTE ON POISON PILLS

Recommend the company shall not adopt or maintain any poison pill designed to block the acquisition of stock in excess of a specified amount:

UNLESS such plan or agreement has been previously approved by a majority shareholder vote as a separate proposal.

This includes, but is not limited to the poison pill that was adopted by the Company WITHOUT SHAREHOLDER APPROVAL in 1999. After adoption this Resolution is not to be amended, modified or repealed, except as a separate proposal by a shareholder vote.

SUPPORTING STATEMENT:

Delphi, spun off from General Motors in 1999, adopted backward corporate governance rules compared to GM. GM improved its corporate governance rules in 1992 to reverse a close call with bankruptcy.

However, Delphi chose many corporate governance rules that are regressive compared to GM as measured by the standards of many institutional investors. This included a poison pill not subject to shareholder vote.

Delphi is 61% owned by institutions. Clearly this resolution has strong institutional support to win majority approval. It is notable that institutional support is high-caliber support. Institutions have the staff, experience, resources and fiduciary duty to thoroughly study the issues involved in this proposal.

Why submit the Delphi poison pill to a shareholder vote:

1) Poison pills give directors absolute veto power over any proposed business combination, no matter how beneficial it might be for the shareholders.

2) Pills adversely affect shareholder value.

Nell Minow and Robert Monks in their book,
Power and Accountability

Shareholder right to vote on poison pill resolutions achieved 60% APPROVAL from shareholders in 1999.

Investor Responsibility Research Center's Corporate Governance Bulletin, April-June 1999

The Council of Institutional Investors
(<http://www.cii.org/ciicentral/policies.htm> & <http://www.cii.org>) recommends shareholder approval of all poison pills in its Shareholder Bill of Rights.

Additionally, there is serious concern to improve Delphi's slumping stock price:

Delphi continues to trade below its 1999 Initial Public Offering price.
Recent price: \$15.

Value Line

July 7, 2000

Since becoming an independent, publicly traded company in early 1999 Delphi stock peaked at \$20 on May 14, 1999.

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Automotive News

April 3, 2000

Delphi total shareholder return in 2nd quarter is minus 8%.

Automotive News

July 17, 2000

Good governance rules can improve stock price:

A new survey by the international management consultancy McKinsey & Co. shows that institutional investors are prepared to pay an 18% premium for good corporate governance.

The report concludes that companies should take heed. If companies can capture but a small proportion of the governance premium available, they would create significant shareholder value.

McKinsey warns that companies that fail to reform will find themselves at a competitive disadvantage in attracting capital to finance growth.

Wall Street Journal

June 19, 2000

The existence of additional poor management/governing rules at Delphi serve as an added incentive to take at least this one step to improve corporate governance. Examples of poor management rules by the company include:

No annual election of all directors.

No confidential voting.

No cumulative voting.

Shareholders may not call special meetings.

In its response to this resolution, Delphi is asked to name the steps it has taken to improve management rules at the highest level of the company where it will have the greatest impact to improve stock price.

**To increase shareholder value vote yes:
ADOPT RESOLUTION THAT WON 60% OF SHAREHOLDER VOTE in 2000:**

**SHAREHOLDER RIGHT TO VOTE ON POISON PILLS
YES ON 3**

Delphi's Response

The Board recommends a vote against this proposal:

We respectfully disagree with the proponent's view of Delphi's corporate governance and with his understanding of the value to stockholders of a rights plan, or so-called "poison pill." The proponent is correct that in the hands of a captive Board, that is, one composed primarily of management and their families, a rights plan can entrench management. However, that is most certainly not the situation with Delphi. Only three of our thirteen directors are from management, none are related, and all of our independent directors have illustrious careers with the very best companies in the U.S. and abroad.

We believe there are also dangers to the stockholders in not having a rights plan, particularly to small stockholders. A rights plan will not prevent a bidder from making an acquisition offer. However, without a rights plan, a corporate raider can take over an undervalued company by surprise, with no need to deal with the Board. The unsolicited bidder, acting out of self-interest and a desire to buy the company as cheaply as possible, would not need to negotiate with anyone, and thus could take control without having to pay the existing stockholders a control premium. With a rights plan, your Board can force a negotiation, and potentially extract a higher share price from the raider, or attempt to obtain a superior bid. A rights plan allows your Board to evaluate offers, investigate alternatives, and take the necessary steps to maximize stockholder value.

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We note that Delphi's corporate governance structure includes the very practices that respondents in the McKinsey & Co. survey, praised by the proponent, value. For example, the vast majority of the directors: (1) come from outside the company, (2) have no ties to management, and (3) get most of their pay in the form of stock. Nevertheless, we assure our stockholders that the Board did take very seriously the vote on this resolution at the May 2000 Annual Meeting of Stockholders. Immediately following the Annual Meeting, the directors reviewed the voting results and requested that the Corporate Governance and Public Issues Committee (Corporate Governance Committee) conduct a full review of the issue and present a recommendation to the Board of Directors concerning an appropriate response to the vote. All of the members

of the Corporate Governance Committee are outside directors.

Following a detailed study over several months which took into consideration the practices of companies considered to be leaders in corporate governance, the Corporate Governance Committee recommended, and the Board of Directors adopted, a Three-Year Independent Director Evaluation (TIDE) of Delphi s Stockholder Rights Plan to be performed by the Corporate Governance Committee. Under the TIDE, the Corporate Governance Committee is authorized and directed to review the Stockholder Rights Plan to determine whether it continues to be in the best interest of Delphi and its stockholders. The review is to occur whenever the Committee deems appropriate, but at least every three years. The Committee can use the assistance of legal counsel and other advisors in conducting the review and is free to consider any factors it deems relevant. At the conclusion of the review, the Committee reports back its determinations and recommendations to the Board of Directors.

We believe that, at least for now, a rights plan with a TIDE is in the best interest of Delphi and its stockholders. As a new company, Delphi is a special case, distinguishable from mature, established and sometimes under-performing companies with rights plans. In order for Delphi to deliver stockholder value, Delphi must have the opportunity to execute its strategic business plan without the distraction of unfair, imprudent or abusive takeover attempts, particularly in an industry that is currently undervalued. In addition, the market needs some time to understand that Delphi is not just an auto parts company but a technology company, and to value it accordingly. Redeeming the Stockholder Rights Plan now would deprive the Board of an effective negotiating tool, and impair Delphi s ability to achieve its strategic goal of delivering stockholder value.

For the reasons explained above, the Board of Directors recommends a vote Against Proposal 3. Proxies solicited by the Board of Directors will be voted Against this Proposal 3 unless stockholders specify a different choice.

PROPOSAL 4

St. Joseph Health System, 500 South Main Street, Suite #1000, Orange, CA 92868, owner of 200 shares of common stock, Sisters of St. Dominic of Caldwell, NJ, 52 Old Swartwood Station Road, Newton, NJ 07860, owners of 69 shares of common stock, Mercy Consolidated Asset Management Program, 20 Washington Square North, New York, NY 10011, owner of 69 shares of common stock, Benedictine Sisters, 530 Bandera Road, San Antonio, TX 78228, owners of 797 shares of common stock, the General Board of Pension and Health Benefits of The United Methodist Church, 1201 Davis Street, Evanston, IL 60201-1118, owners of 598,072 shares of common stock, Grand Rapids Dominicans, 2025 E. Fulton Street, Grand Rapids, MI 49503-3895, owners of 1,747 shares of common stock, The Women s Division of the General Board of Global Ministries of the United Methodist Church, 475 Riverside Drive, New York, NY 10115, owners of 36,200 shares of common stock, Mercy Health Services (Trinity Health), 29000 Eleven Mile Road, Farmington Hills, MI 48336, owners of 5,112 shares of common stock, The Domestic and Foreign Missionary Society of the Protestant Episcopal Church in the United States of America, 815 Second Avenue, New York, NY 10017-4594, owners of 69 shares of common stock, Sisters of St. Joseph of Nazareth, 3427 Gull Road, Nazareth, MI 49074-0013, owners of 69 shares of common stock, The Glenmary Home Missioners, The Home Missioners of America, P.O. Box 465618, Cincinnati, OH 45246-5618, owners of 69 shares of common stock, the Presbyterian Church (USA), 100 Witherspoon Street, Louisville, KY 40202-1396, owners of 169 shares of

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common stock, Sisters of the Blessed Sacrament, 1663 Bristol Pike, Bensalem, PA 19020-8502, owners of 69 shares of common stock, and School Sisters of Notre Dame Cooperative Investment Fund, 336 East Ripa Ave., St. Louis, MO 63125, owners of 69 shares of common stock, have given notice that they intend to present for action at the annual meeting the following resolution and have furnished the following statement in support of their proposal:

Proposal for a Global Set of Corporate Standards

Whereas, Delphi Automotive Systems, as a global corporation, faces complex issues which also affect our interests as shareholders. The international context within which our company operates is becoming increasingly diverse in the new millennium.

A Millennium Poll on Corporate Social Responsibility interviewed over 25,000 citizens in 23 countries and found that two in three citizens want companies to go beyond their historical role of making a profit, paying taxes, employing people and obeying all laws; they want companies to contribute to broader societal goals as well. (Enviroics International Ltd., October 1999)

We believe Delphi needs to review its code of conduct in light of the evolving consensus of best practices, such as those found in the Principles for Global Corporate Responsibility: Bench Marks for Measuring Business Performance, developed by an international group of religious investors.

Delphi operates in 37 countries worldwide and is challenged by important concerns arising from diverse cultures and political and economic contexts. These concerns require management to address issues that include human rights, workers right to organize and bargain

collectively, non-discrimination in the workplace and sustainable community development. Our company should find ways to respond effectively to workers' concerns in a timely manner and to eliminate the use of child labor, forced labor, bribery and harmful environmental practices.

As our company proceeds as an independent company, it should be in a position to assure shareholders that its employees are treated fairly and paid a sustainable living wage wherever they work in the global economy. One important element of ensuring compliance is the utilization of independent monitors composed of respected local human rights, religious and other non-governmental organizations that know the local culture. A number of companies are developing code enforcement mechanisms that include independent monitoring.

Improving the quality of life for employees and their communities can lead to increased productivity and enhance the bottom line for the company.

RESOLVED, the shareholders request that the Board of Directors review and amend, if necessary, its code for its international operations and report a summary of this review to shareholders by October 2001.

Supporting Statement

We recommend the review include the following areas:

1. A description of policies which are designed to protect human rights—civil, political, social, cultural and economic—consistent with respect for human dignity and the International Labor Organization's core standards.
2. A report of efforts to ensure that the company does not employ children under the age of fifteen, or younger than the age of completing compulsory education in the country of manufacture where such age is higher than fifteen.
3. A report of company policies ensuring that there is no use of forced labor, including prison labor, indentured or bonded labor.

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4. Establishment of consistent standards for workers' health and safety practices for handling hazardous wastes and protection of the environment, as well as promoting a fair and dignified quality of life for workers and their communities.

We believe a company poised to compete in the 21st Century needs comprehensive global standards to guide its decisions.

Delphi's Response

The Board recommends a vote against this proposal:

Delphi is fully committed to the goal of operating all of our facilities, foreign and domestic, legally, ethically and responsibly. We have global corporate policies and practices in place designed to ensure that Delphi is a good and responsible corporate citizen around the world and that it complies with the laws of the various countries in which we operate. Delphi has shared our policies and practices with the proponents of this proposal in what we believe was a constructive exchange.

In addition, the proponents' representatives have visited our workers' housing projects in Mexico, where Delphi has supported the purchase of more than 5,000 homes by employees. Regarding environmental practices, Delphi facilities continue to receive awards and recognition, including: the Industria Limpia (Clean Industry) Award, the highest environmental award given by the Mexican government; Recycler of the Year, as awarded by the world's leading plastics organization; the first place Energy Saving Award from Mexico's president; and the right to participate in Michigan's Clean Corporate Citizen (C3) program.

We believe that as a result of Delphi's existing high standards, Delphi's presence in foreign countries enhances the lives of the people who work at our facilities and better the communities where we operate, in addition to generating revenues for Delphi and value for our stockholders.

Our management reviews and amends our policies and practices as necessary and is committed to their enforcement worldwide. In addition, the Board's Corporate Governance and Public Issues Committee (Corporate Governance Committee), which is composed entirely of independent directors, has the responsibility for, among other things, matters relating to the governance of the Corporation and public policy matters related to Delphi's business activities. Independent monitoring by religious groups would not enhance the close monitoring by governmental and union groups which Delphi already enjoys. Nor would it add to the internal auditing and Board oversight on which Delphi already insists.

For the reasons explained above, the Board of Directors recommends a vote Against Proposal 4. Proxies solicited by the Board of Directors will be voted Against this Proposal 4 unless stockholders specify a different choice.

PROPOSAL 5

Robert D. Morse, 212 Highland Ave., Moorestown, NJ 08057-2717, owner of 419 shares of common stock, has given notice that he intends to present for action at the annual meeting the following resolution and has furnished the following statement in support of the proposal:

PROPOSAL

I, Robert D. Morse, of 212 Highland Ave., Moorestown, NJ 08057-2717, wish to present the following proposal:

That the Officers and Directors consider the discontinuance of all bonuses immediately, and options, rights, SAR s, etc. after the termination of any existing programs for top management. I must also include any severance payment contracts, which overpay a person no longer of use, just to leave!

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This does not include any programs for employees.

REASONS: Management and Directors are compensated enough to buy on the open market, just as You and I, if they are interested in the Company s success rather than cashing in as options etc., mature and they receive more year after year. Management is already well paid with base pay, life insurance, retirement plans, paid vacations, free use of vehicles, and other perks.

Options, rights, SAR s, are available elsewhere, and a higher offers induce transfers, not necessarily attain and retain qualified persons.

Who writes the objections to my proposal? Is it not the same persons who nominate and pay the directors who in turn will provide Management these exorbitant extras above a good base salary? These persons are not providing us entertainment on an individual choice basis, as do athletes, movie stars, and similar able performers.

Align management with shareowners is a repeated line to lull us as to continually increasing their take of our assets. Do we get any options to purchase at previous [presumed] lower rates, expecting prices to increase?

After taxes, present base salaries are way above the \$200,000.00 our President receives, plus lodging, and Management only looks after a Company, not the USA, and some of the world problems. If they filled out a daily work or production sheet, what would it show? Please mark your ballot FOR this proposal.

If you saw a quarter on the ground, would you not pick it up? SO, WHY NOT PICK UP BIG MONEY?! There are too many shareowners who just don t understand or care . Take this copy to your librarian for a few days, perhaps along with some fruit; I m sure he or she can digest both.

ABSTAIN and EXCEPT have been substitutes for AGAINST ON THE VOTE FOR DIRECTORS ONLY for over 12 years now as they are not deducted from FOR , an intentional ploy to win seats.

Delphi s Response

The Board recommends a vote against this proposal:

The Compensation and Executive Development Committee (Compensation Committee) of the Board of Directors, which is composed entirely of independent directors, oversees Delphi s compensation policies for Delphi s senior executive officers. Delphi s executive compensation program and philosophy is described in detail in the Compensation and Executive Development Committee Report on Compensation included in this proxy statement. Delphi s executive compensation program aims to align the interests of our executives with your interests as stockholders by rewarding executives when they have achieved the specific measurable goals we have set to create value for the stockholders in both the short- and long-term.

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We believe that a balanced approach to executive compensation involving a combination of base salary, annual incentives and long term incentives including stock options best serves the interests of stockholders because the compensation of our executives and, in particular, our senior management is closely tied to Delphi's performance. In determining the appropriate amount of each type of compensation to pay our executives, we look at what executives earned at companies that are in our industry as well as other Fortune 50 companies with which we compete in hiring executives. We also rely on data and advice provided by outside consultants.

The elimination of incentives and bonuses would limit Delphi's flexibility in setting compensation. It could place Delphi at a competitive disadvantage in attracting, motivating and retaining the executive talent necessary to achieve Delphi's objectives and thereby deliver value to its stockholders. In addition, we believe that a total compensation approach which is composed solely of base pay would leave executive compensation unrelated to Delphi's performance rather than being tied to increases in stockholder value.

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For the reasons explained above, the Board of Directors recommends a vote Against Proposal 5. Proxies solicited by the Board of Directors will be voted Against this Proposal 5 unless stockholders specify a different choice.

PROPOSAL 6

John J. Gilbert, 29 E. 64th Street, New York, NY 10021-7043, owner of 190 shares of common stock, has given notice that he intends to present for action at the annual meeting the following resolution and has furnished the following statement in support of the proposal:

RESOLVED:

**ANNUAL ELECTION OF EACH DIRECTOR
ADOPT PROPOSAL. THAT WON 54% APPROVAL
at 51 MAJOR COMPANIES in 2000**

To increase shareholder value Delphi Automotive Systems shareholders request the Board of Directors take all necessary steps to enact annual election of each director as a bylaw. Also, require that any future action on this topic be put to shareholder vote as a separate proposal and that this proposal apply to a successor company or companies.

SUPPORTING STATEMENT

The election of directors is the primary avenue for shareholders to hold management accountable for its performance.

Requiring each director to stand for election annually gives shareholders an opportunity to register their views on the performance of each director individually and the board as a group. Many institutional investors hold that electing each director annually is one of the best good corporate governance practices to ensure that the Company will be managed in the best interest of investors. Delphi is 61% owned by institutional investors. This proposal topic won a 54% majority of the votes at 51 major companies in 2000 according to the Investor Responsibility Research Center.

Institutional investors are prepared to pay an 18% premium for good corporate governance according to a recent McKinsey & Co. survey. The report concludes that companies should take heed. Thus if Delphi can capture but a small proportion of this governance premium, it would create significant shareholder value.

Delphi cannot afford to pass up the potential of this good governance premium. Delphi has traded below its \$17 Initial Public Offering price during the majority of time since Delphi's IPO. Delphi's total shareholder return for the past 12 months was minus-4% according to *Automotive News*, October 16, 2000.

Additionally, certain independent proxy analysts are particularly concerned about the lack of annual election of each director combined with poison pills and other takeover defenses as is the case with Delphi Automotive Systems. Delphi management is further protected by strong anti-takeover provisions under state law.

It will be of interest to shareholders and management to see the level of support that this proposal receives from Delphi shareholders at the 2001 annual meeting. At the 2000 Delphi shareholder meeting Delphi shareholders voted by a 60% margin to approve shareholder vote on poison pills. This was higher than the 57% approval given by shareholders at 24 major companies on this same topic. In other words, Delphi shareholders showed in 2000 that at Delphi they supported a good governance proposal by a greater margin than shareholders at other major companies.

Improving shareholder value is particularly important since the good times enjoyed by the industry during the latter half of the 1990s may not last much longer. Delphi is also impacted by the declining Euro and the industry's low Timeliness rank, which puts the industry at near the bottom of the pack, according to *Value Line*.

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To improve shareholder value vote for:

**ANNUAL ELECTION OF EACH DIRECTOR
YES ON 6**

Delphi's Response

The Board recommends a vote against this proposal:

Delphi currently has three classes of directors, with members of each class serving three-year terms. We believe that this staggered system of electing directors provides important benefits to Delphi and its stockholders. With a classified Board, a majority of directors at any given time possesses the experience and understanding which comes from service on the Board. This is particularly important with a company as large and complex as Delphi. In fact, during our first year of existence we devoted a portion of each Board meeting to orienting our directors to Delphi. A classified Board helps assure continuity and stability of Delphi's business strategies and policies so that Delphi can carry out its long-term business strategy necessary to deliver stockholder value, while preserving the ability of Delphi's stockholders to make changes in the Board's membership. In this regard, the Delphi Board is similar to the U.S. Senate which also has three classes of Senators, so that only one-third face re-election each election year.

A classified Board will not prevent a change of control, but in the event of an unsolicited proposal it does encourage outside persons seeking control to initiate arms-length negotiations with the Board. This is because at least two meetings of stockholders would generally be required to replace a majority of the Board. By reducing the threat of an abrupt change in the composition of the Board, classification of our directors enables our Board to be in a better position to negotiate or to consider alternative proposals in order to achieve the best price for all stockholders and not just for those with a large block of shares. This is particularly the case where the Board is independent and composed overwhelmingly of outside directors (10 of 13), such as Delphi's Board.

Moreover, directors have fiduciary duties that do not depend on how they are elected. Directors who are elected to three-year terms are just as accountable to stockholders as directors who are elected on an annual basis. We believe that the classified Board protects the interests of all Delphi stockholders and that the continuity and depth of knowledge that results from a classified Board of Directors provides the proper environment in which to foster the creation of long-term value for all stockholders.

For the reasons explained above, the Board of Directors recommends a vote Against Proposal 6. Proxies solicited by the Board of Directors will be voted Against this Proposal 6 unless stockholders specify a different choice.

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The Board of Directors

The Board of Directors currently consists of thirteen directors divided into three classes (Class I, Class II and Class III) serving staggered three-year terms. The Board of Directors met seven times during 2000. All of the current directors who were directors in 2000 attended more than 75% of the aggregate of the total number of meetings of the Board of Directors and committees of the Board of Directors on which they served in 2000⁽¹⁾. The following information about the directors, including the nominees, was provided by the directors.

Board of Directors

Class II Nominees Standing for Re-Election:

**Oscar de Paula
Bernardes Neto**

Age: 54

Director Since: 1999

Principal Occupation: Senior Partner and Chairman of LID (Latin American Internet Development Group)

Recent Business Experience: Mr. Bernardes is the Senior Partner and Chairman of LID (Latin American Internet Development Group). He is also Chairman of the Advisory Board of TIW, a major wireless communications operator, in Brazil. He was Chief Executive Officer of Bunge International from 1986 to 1999. Before joining Bunge, Mr. Bernardes was a senior partner with Booz-Allen & Hamilton. He also has over 15 years of consulting experience, including several projects related to the automotive industry in South America. Mr. Bernardes is a member of the Advisory Board for Booz-Allen & Hamilton. Mr. Bernardes is a member of the Audit Committee of Delphi's Board of Directors.

Other Directorships: RBS, Alcoa in Brazil, Bunge Alimentos

Age: 57

Dr. Bernd Gottschalk

Director Since: 2000

Principal Occupation: President, Association of the German Automobile Industry

Recent Business Experience: Before becoming President of the Association of the German Automobile Industry in 1996, Dr. Gottschalk worked at Mercedes-Benz AG since 1972 in various positions, such as plant manager in Mannheim and President of Mercedes-Benz do Brasil in São Paulo. As a member of the Advisory Board of Mercedes-Benz AG, he was responsible for the company's worldwide commercial vehicle business. Dr. Gottschalk is a member of the Advisory Board of each of Hoffman-La Roche, Thyssen Krupp Automotive, J.M. Voith AG and Dresdner Bank Latin America. Dr. Gottschalk is a member of the Corporate Governance and Public Issues Committee of Delphi's Board of Directors.

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