DELPHI AUTOMOTIVE SYSTEMS CORP
Form DEF 14A
March 15, 2002

SCHEDULE 14A
INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

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

Filed by the Registrant x
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Check the appropriate box:

¨ Preliminary Proxy Statement
¨ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
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Delphi Automotive Systems Corporation

(Name of Registrant as Specified In Its Charter)

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

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(4) Date Filed:

DELPHI AUTOMOTIVE SYSTEMS CORPORATION
5725 Delphi Drive
Troy, Michigan 48098

March 15, 2002

TO OUR STOCKHOLDERS:

Our 2002 annual meeting of stockholders will be held at the Hyatt Regency Rochester, 125 East Main Street, Rochester, New York 14604, on May 1, 2002. This is our third 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.delphi.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.

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.

Notice of Annual Meeting of Stockholders

The annual meeting of stockholders of Delphi Automotive Systems Corporation will be held at the Hyatt Regency Rochester, 125 East Main Street, Rochester, New York 14604, on Wednesday, May 1, 2002, 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 three directors to three-year terms on the Board of Directors. The Board has nominated for re-election Robert H. Brust, Alan S. Dawes and Donald L. Runkle, all current directors.

Proposal 2. The ratification of Deloitte & Touche LLP as Delphi s independent public accountants for 2002. Deloitte & Touche LLP served in this same capacity in 2001.

Proposal 3. A stockholder proposal relating to the redemption of Delphi s stockholder rights plan.

Proposal 4. A stockholder proposal relating to the annual election of directors.

Proposal 5. A stockholder proposal relating to the adoption of a code for Delphi s international operations.

Proposal 6. A stockholder proposal relating to confidential voting.

Proposal 7. A stockholder proposal relating to fees paid to Delphi s outside auditing firm.

The record date for the annual meeting is March 4, 2002. Only stockholders of record at the close of business on that date may vote at the meeting.

BY ORDER OF THE BOARD OF DIRECTORS

DIANE L. KAYE
Secretary

Troy, Michigan
March 15, 2002

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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 2002 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 15, 2002.

Who Can Vote

Stockholders of record of our common stock at the close of business on March 4, 2002 may vote at the annual meeting.

On March 4, 2002, 560,559,938 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 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.

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 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, Proposal 6 and Proposal 7.

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 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 Delphi Mechatronic Systems Savings-Stock Purchase Program, 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:

- 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.
- 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;
  - the General Motors Savings-Stock Purchase Program for Salaried Employees in the United States;
  - the ASEC Manufacturing Savings Plan; and
  - the Delphi Mechatronic Systems Savings-Stock Purchase Program.

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 of directors, the three 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 stockholder vote at the meeting that Delphi report (i) any directors who have philanthropic links to the company, the latest annual sum and whether they serve on the Audit Committee, (ii) directors attendance at the 2001 and 2002 annual stockholder meetings, (iii) whether Delphi s auditors perform audit consulting or other consulting services and the percentage of their overall fee for each category, and that Delphi make available at the annual meeting and on the company s website three articles that favor each stockholder proposal that won a majority vote at the 2001 annual meeting. 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 2002. 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.delphi.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, by telephone, or by 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 three directors to serve as Class III directors for a three-year term beginning at the meeting and expiring at the 2005 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 III directors are up for election at the meeting. The nominees for election are Robert H. Brust, Alan S. Dawes and Donald L. Runkle, all current Class III directors. Mr. Thomas H. Wyman, who is currently a Class III director and has been our lead director since we became an independent company, is not standing for election. The Class I and Class II directors will continue in office following the meeting. Their terms will expire in 2003 (Class I) and 2004 (Class II). For information regarding the director nominees and our other directors, see the The Board of Directors section 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 2002, 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 2002 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, Proposal 6 and Proposal 7, have been made by Delphi stockholders identified below and may be presented at the meeting.

PROPOSAL 3

Ray T. Chevedden, 5965 S. Citrus Ave., Los Angeles, CA 90043, on behalf of the Ray T. Chevedden and Veronica G. Chevedden Family Trust, owner 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:

SHAREHOLDER VOTE ON POISON PILLS

PROPOSAL THAT WON MAJORITY SHAREHOLDER VOTE IN 2000 AND 2001

Shareholders request the Board of Directors redeem any poison pill previously issued unless such issuance is approved by the affirmative vote of shareholders, to be held as soon as may be practicable. This is a request to allow shareholders to vote on the company adopting or maintaining a poison pill.

John Chevedden, Delphi shareholder, 2215 Nelson Ave., No. 205, Redondo Beach, CA 90278 submit this proposal for shareholder vote on behalf of the Ray T. Chevedden and Veronica G. Chevedden Family Trust.

Shareholders have already passed this proposal at two annual meetings

This proposal topic is now submitted for the third shareholder vote at the 2002 shareholder meeting.

Negative Effects of Poison Pills on Shareholder Value

A study by the Securities and Exchange Commission found evidence that the negative effect of poison pills to deter profitable takeover bids outweigh benefits.
Source: Office of the Chief Economist, Securities and Exchange Commission, The Effect of Poison Pills on the Wealth of Target Shareholders, October 23, 1986.

Shareholder value is particularly important to Delphi shareholders after the share price dropped to an all-time low of $9.50 in the third quarter of 2001.

Institutional Investor Support for Shareholder Vote

Many institutional investors believe poison pills should be voted on by shareholders. At a minimum, many institutional investors believe that shareholders should have the right to vote on the need of such a powerful tool, which can entrench existing management.

A poison pill can insulate management at the expense of shareholders. A poison pill is such a powerful tool that shareholders should be able to vote on whether it is appropriate. We believe the right for a shareholder vote on poison pills will avoid an unbalanced concentration of power in the directors who could restrict the rights of shareholders.

Institutional investor support is high-caliber support

Clearly this proposal topic has significant institutional support to pass at the latest 2 consecutive annual meetings given the Delphi institutional investors ownership of 70%. Institutional investor support is high-caliber support. Institutional investors have the staff, experience, resources, long-term focus, fiduciary duty and independence to thoroughly study the issues involved in this proposal topic.

Additional Support for Delphi poison pill to be subject to a shareholder vote

Pills adversely affect shareholder value.
Nell Minow and Robert Monks in their book,
Power and Accountability
Source: *www.thecorporatelibrary.com/power* from *www.thecorporatelibrary.com*

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
(www.cii.org/ciicentral/policies.htm & www.cii.org) recommends shareholder approval of all poison pills in its Shareholder Bill of Rights.

The company was asked in October 2001 to advise the status of the company accomplishment to research, study and take steps to enact this shareholder proposal topic in the 5 months since it passed at the second consecutive shareholder meeting. This included any discussions or polling of the institutional investors of the company and dialog with respected independent proxy analyst/analysis firms and also relevant minutes from meetings of the board or board committee(s).

Shareholder Vote Precedent Set by Other Companies

In recent years, various companies have been willing to redeem poison pills or at least allow shareholders to have a meaningful vote on whether a poison pill should remain in force. We believe that our company should do so as well.

In the interest of shareholder value vote yes:

SHAREHOLDER VOTE ON POISON PILLS
YES ON 3

Delphi s Response

The Board recommends a vote against this proposal:

Following the vote on this proposal at the 2001 Annual Meeting of Stockholders, the Board of Directors carefully considered the arguments for and against stockholder rights plans generally and Delphi s stockholder rights plan or poison pill in particular. A stockholder rights plan is not intended to and will not eliminate takeover offers or the obligation of the directors to exercise their fiduciary duty in considering such offers. In the hands of an independent Board, such as Delphi s, a stockholder rights plan is a tool that will help the Board maximize stockholder value by providing it with the flexibility and time to evaluate alternatives in the event of an unsolicited hostile takeover bid.

We believe there are dangers to stockholders in not having a rights plan, particularly to small stockholders. Without a rights plan, a corporate raider can acquire control of an undervalued company by surprise, with no need to negotiate with the Board. The unsolicited bidder, acting out of self-interest and a desire to buy the company for as low a price 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. Stockholder rights plans do not prevent or inhibit legitimate takeover offers, but will allow the Board to discourage offers that are inadequate or insufficiently funded or that do not treat all stockholders equally.

In addition, Delphi is one of very few companies that have adopted a Three-Year Independent Director Evaluation (TIDE) of its Stockholder Rights Plan. The TIDE requires Delphi s Corporate Governance and Public Issues Committee (Corporate Governance Committee) to review Delphi s 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. Upon completion of the review, the Committee reports back its conclusions to the full Board of Directors including any recommendation as to whether the rights plan should be modified or whether the rights issued under the rights plan should be redeemed. All of the members of the Corporate Governance Committee are outside directors. Only three of Delphi s 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 that by providing a tool that allows the Board of Directors to consider takeover offers carefully, the rights plan with a TIDE is in the best interest of our stockholders who would like a higher premium for their shares; our customers, who want a stable environment with respect to their vendors; and our employees, who want our company to 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, while Delphi continues its restructuring efforts and its transformation from an auto parts company to a technology company, the market needs some time to value it accordingly. Redeeming Delphi s 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

Nick Rossi, P.O. Box 249, Boonville, CA 95415, 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:

ELECT EACH DIRECTOR ANNUALLY

ADOPT PROPOSAL TOPIC THAT WON 58% APPROVAL at the 2001 SHAREHOLDER MEETING

This proposal is submitted by Nick Rossi, P.O. Box 249, Boonville, CA 95415.

Recommend: Elect each director annually. Shareholders request the Board of Directors take each step required.

This proposal includes the requirement that any future change in the frequency of director election be submitted to a shareholder vote as a stand-alone proposal.

Strong Institutional Investor Support

Fifty-one (51) proposals on this topic won an overall 54% approval rate at major companies in 2000. Annual election of each director is a core policy for the Council of Institutional Investors (*www.cii.org*).

Another CII policy is the adoption of shareholder proposals that receive a majority of votes cast as this proposal did in 2000. Institutional investors own 70% of Delphi stock.

Merely reinstates the standard practice when Delphi was part of General Motors

This proposal, which won 58% shareholder approval in 2001, merely asks the company to reinstate the standard practice before the spin-off from General Motors. (Percentages are based on votes cast.)

Staggered board combined with poison pill

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. Delphi management is further protected by strong anti-takeover provisions under state law.

Won t bite the hand that fed him

Additionally, Delphi allows a practice that a lead director can be a past director with 13 years service at a customer that now represent 67% of Delphi s sales (GM). This practice does not ensure independence from the Lead Director who is responsible for coordinating the activities of directors with a fiduciary duty to the shareholders.

Votes equally valuable

It is believed that consistent with directors accepting yes votes for their own election as Delphi directors did in 2001, that directors should give equal value to yes votes for a shareholder proposal and thus take the steps to adopt this proposal.

The proponent offered to withdraw the proposal if the company took steps to adopt the proposal. The company was asked to not procrastinate and wait for an additional shareholder vote. Each director should not fear an annual election because each director runs against no competing candidate.

Greater Management Accountability

It is believed that greater management accountability, in part through this proposal, will make Delphi better prepared in facing challenges highlighted by these types of news reports that could reoccur:

Vehicle production was lower in the first quarter than during the same 2000 period both domestically and world-wide.

In addition demand for auto replacement parts has weakened.

Earnings in 2001 should fall far below last year s $1.94 to $0.70 per share.

Good governance rules can improve shareholder value:

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

Wall Street Journal June 19, 2000

To increase shareholder value through improved accountability vote yes:

ELECT EACH DIRECTOR ANNUALLY
ADOPT PROPOSAL TOPIC THAT WON 58% APPROVAL
at the 2001 SHAREHOLDER MEETING
YES ON 4

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. Last year the stockholders considered an identical proposal. That proposal was a recommendation that the Board of Directors take the necessary steps to enact annual election of each director. The steps necessary to eliminate the classified board are adoption of an amendment to Delphi s Certificate of Incorporation by the Board and then approval by the affirmative vote of 80% of the shares entitled to vote. It should be noted that while last year s proposal received the affirmative vote of 58% of the shares voting, only 43% of the shares entitled to vote supported the proposal, which is considerably less than the 80% required to repeal the classified Board. Nevertheless, following the vote on the proposal, the Board of Directors carefully considered whether to take those steps. For the reasons noted below, the Board decided that it was not in the best interest of Delphi or its stockholders to do so.

We continue to believe that the 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 4. Proxies solicited by the Board of Directors will be voted Against this Proposal 4 unless stockholders specify a different choice.

PROPOSAL 5

St. Joseph Health System, P.O. Box 14132, Orange, CA 92863-1532, owner of 200 shares of common stock, Sisters of St. Dominic of Caldwell, NJ, 52 Old Swartswood Station Road, Newton, NJ 07860, owners of 69 shares of common stock, Mercy Consolidated Asset Management Program, 205 Avenue C, #10E, New York, NY 10009, owner of 200 shares of common stock, Benedictine Sisters, 530 Bandera Road, San Antonio, TX 78228, owners of 797 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 51,000 shares of common stock, Trinity Health, 29000 Eleven Mile Road, Farmington Hills, MI 48336-1405, owners of 5,912 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 10017-4503, 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 Presbyterian Church (USA), 100 Witherspoon Street, Louisville, KY 40202-1396, owners of 254,969 shares of common stock, the School Sisters of Notre Dame Cooperative Investment Fund, 336 East Ripa Ave., St. Louis, MO 63125, owners of 69 shares of common stock, Sisters of Charity of the Incarnate Word, P.O. Box 230969, 6510 Lawndale, Houston, TX 77223-0969, owners of 1000 shares of common stock, and Ursuline Sisters of Tildonk, 81-15 Utopia Parkway, Jamaica, NY 11432-1306, owners of 2,000 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 the proposal:

DELPHI AUTOMOTIVE SYSTEMS

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. (Environics 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 2002.

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.

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 comprehensive corporate policies and practices concerning our conduct in place around the world. These policies and practices are designed to ensure that Delphi is a good and responsible corporate citizen globally and that Delphi complies with the laws of the various countries in which we operate.

Delphi s management reviews and amends these policies and practices as necessary and is committed to their enforcement worldwide. Internal audits are conducted around the world to ensure compliance with Delphi s policies and practices and with applicable laws, and those audit findings are routinely provided to and reviewed by senior management. In addition, the Corporate Governance and Public Issues Committee (Corporate Governance Committee) of the Board of Directors, a committee which is composed entirely of independent directors, has the responsibility for oversight of all public policy matters related to Delphi s business activities.

We have shared our policies and practices with the proponents of this proposal. The proponents representatives have visited our workers housing projects in Mexico, where Delphi has supported the purchase of approximately 6,000 homes by hourly employees in seven communities and has begun a similar program for salaried employees. Additionally, Delphi recently became the first major private employer in Mexico to establish a voluntary retirement program for salaried employees. It was Delphi employees who started the first Fondo Unido (United Way) program outside Mexico City. These employees at all levels contribute over US $1 million annually. Employee teams from each plant meet with worthy organizations in their communities to ascertain need and to provide goods and services obtained through Delphi Fondo Unido contributions.

All of Delphi s operations in Mexico have medical facilities, recycling programs and rigorous safety programs. Delphi has also established a set of Environmental Performance Criteria, which provide direction to our manufacturing operations worldwide. These criteria establish Delphi minimum requirements, which often go beyond applicable regulatory standards, and ensure that our manufacturing air, water and waste by-products are controlled and managed in a way which safeguards human health and the environment.

Delphi-Mexico plants are among leaders in employee safety records, and have achieved as high as 34 million consecutive working hours without a lost-time or incapacitating accident. Delphi facilities continue to receive awards and recognition for environmental practices, 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 goes beyond generating revenues for Delphi and value for our stockholders it enhances the lives of the people who work at our facilities and betters the communities where we operate. In this way, Delphi sets an example for other companies in these countries. Independent monitoring by religious groups would not enhance the close monitoring of our policies and practices 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 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:

FREE AND CONFIDENTIAL SHAREHOLDER VOTING

Shareholders recommend that the Board of Directors take the steps necessary to implement a policy of confidential voting at all meetings of the Company s shareholders. This includes the following provisions:

1) The voting of all proxies, consents or authorizations will be secret. No such document shall be available for examination, nor shall the vote or identity of any shareholder be disclosed except to the extent necessary to meet the legal requirements, if any, of the Company s state of incorporation; and

2) Independent election inspectors shall conduct the receipt, certification and tabulation of such votes.

The integrity of Delphi elections

It is important for Delphi to establish a system of confidential proxy voting based on an analysis of recommendations published independently of the company. The integrity of company elections and shareholder votes should be protected against potential abuse.

We believe that implementing confidential voting will enhance shareholder value:

1) Shareholders would feel free to question or challenge management nominees and management positions on specific ballot items if they are protected by the confidentiality of the ballot box. This is especially important for professional money managers whose business relationships can be jeopardized by their voting positions.

2) To invigorate the corporate governance process at the highest level of the company. We believe that shareholder input should be encouraged and that shareholders be empowered with a free and confidential vote. Thus shareholders could have greater input to encourage the nomination of the most qualified director candidates and exercise greater independence to evaluate management and shareholder proposals.

Management and shareholder proposals need to balance the interest of all shareholders in relation to the potential narrow interest of a few insider shareholders. There needs to be free voting procedures to correct the potential tendency of inside shareholders to give unwarranted support for proposals such as management stock options with excess stock dilution and for less management responsibility.

Confidential Shareholder Vote Precedent Set by Other Companies

The majority of major companies have already adopted confidential voting, and we believe that is time for Delphi to do the same.

In the interest of shareholder value vote yes:

CONFIDENTIAL SHAREHOLDER VOTING
YES ON 6

Delphi s Response

The Board recommends a vote against this proposal:

After a careful review of proxy solicitation and tabulation practices at Delphi, we believe that our current practices ensure that the voting process does not result in any improper influence or coercion of stockholders, and that the confidentiality of stockholder votes is protected. Confidentiality safeguards are already in place throughout the voting and tabulation process. The voting and tabulation process is conducted by a third party and is overseen by third party election inspectors. Votes are tabulated mechanically except where a vote is withheld in which case it is tabulated by hand. The returns for employees holding Delphi common stock through the various benefit plans are provided directly to the plan trustee and must be kept in confidence under the provisions of the Employee Retirement Income Security Act (ERISA). Any stockholder who wants confidentiality has the option of holding shares through a bank, broker, or other nominee. These nominees cannot disclose the name of the stockholder without the stockholder s permission.

Institutional investors comprise approximately 60% of Delphi s stockholder base. Many institutional investors cast their vote on proxy issues pursuant to published guidelines of which companies are aware. On certain issues, these guidelines are contrary to management s recommended vote. Far from being concerned about coercion, these institutions have been willing to establish a dialogue on these issues and to unhesitatingly propound their opposing point of view.

Moreover, adoption of the proposed policy could place Delphi management at an unfair disadvantage in the event of a proxy contest since those waging the contest would not be bound by the same policy. We believe that the practices in place adequately address the concerns raised in this stockholder proposal.

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.

PROPOSAL 7

The Kentucky State Carpenters Pension Fund, 632 Comanche Trail, Frankfort, KY 40601, owner of 11,500 shares of common stock, has given notice that it intends to present for action at the annual meeting the following resolution and has furnished the following statement in support of the proposal:

Auditor Fees Proposal

Resolved, that the shareholders of Delphi Automotive Systems Corporation (Company) request that the Board of Directors adopt a policy stating that the public accounting firm retained by our Company to provide audit services, or any affiliated company, should not also be retained to provide non-audit services to our Company.

Statement of Support: The role of independent auditors in ensuring the integrity of the financial statements of public corporations is fundamentally important to the efficient and effective operation of the financial markets. The U.S. Securities and Exchange Commission recently stated:

Independent auditors have an important public trust. Investors must be able to rely on issuers financial statements. It is the auditor s opinion that furnishes investors with critical assurance that the financial statements have been subjected to a rigorous examination by an objective, impartial, and skilled professional, and that investors, therefore, can rely on them. If investors do not believe that an auditor is independent of a company, they will derive little confidence from the auditor s opinion and will be far less likely to invest in that public company s securities. (Division of Corporate Finance, Staff Legal Bulletin #14, 7/13/01) (Bulletin #14)

It is critically important to the integrity of the auditing process and the confidence of investors that those firms performing audits for public corporations avoid business relationships that might compromise their independence or raise the perception of compromised judgment. At the heart of the challenge to auditor independence is the growing level of business and financial relationships developing between audit firms and their clients. Bulletin #14 identifies these growing business relationships that threaten auditor independence:

Accounting firms have woven an increasingly complex web of business and financial relationships with their audit clients. The nature of the non-audit services that accounting firms provide to their audit clients has changed, and the revenues from these services have dramatically increased.

The growth of non-audit revenues represents a trend that has been accelerating dramatically in the last several years, with non-audit fees for consulting or advisory services exceeding audit fees at many companies. Our Company is in the category of companies that pays its audit firm more for non-audit advisory services than it does for audit services. The Company s most recent proxy statement indicated that Deloitte & Touche LLP charged $6.6 million for audit services, while charging $50.8 million for non-audit services rendered.

We believe that this financial web of business and financial relationships may at a minimum create the perception of a conflict of interest that could result in a lack of owner and investor confidence in the integrity of the Company s financial statements. As long-term shareowners, we believe that the best means of addressing this issue is to prohibit any audit firm retained by our Company to perform audit services from receiving payment for any non-audit services performed by the firm. We urge your support for this resolution designed to protect the integrity of the Company s auditing and financial reporting processes.

Delphi s Response

The Board recommends a vote against this proposal:

Delphi appreciates the importance of auditor independence to stockholder and investor confidence in the integrity of a company s accounting and financial reporting system. For that reason, the Audit Committee of Delphi s Board of Directors monitors the amount and nature of the non-audit services, as well as the safeguards that have been put in place to assure auditor independence. Delphi s Audit Committee, which is composed entirely of independent directors, has the responsibility for oversight of the audit process and the operational and financial integrity of Delphi s operations throughout the year.

The aggregate fees charged to Delphi by Deloitte & Touche for non-audit services in calendar year 2000 were atypically high because of its spin-off from General Motors the previous year. Following the spin-off, Delphi needed to design and implement its own financial information systems. The total fees of $50.8 million for non-audit services in calendar year 2000 included $41.3 million attributable to this non-recurring information technology project. It should be noted that the project was competitively bid and that it was approved prior to the spin-off. Excluding the information technology services, Delphi had non-audit fees of $9.5 million in calendar year 2000 compared to audit fees of $6.6 million, and a non-audit to audit services ratio of 1:4.

In calendar year 2001, (excluding a final payment of $12 million for the information technology project) the aggregate fees for non-audit services charged to Delphi by Deloitte & Touche declined to approximately $8 million, and the ratio of Delphi s non-audit to audit services was approximately 1:2. Equally important, however, is the nature of those fees. Employee benefit plan audits, tax compliance services, financial statement audit services for divested businesses, acquisition audit-related due diligence, and internal audit co-sourcing services are essentially audit in nature or closely related to the audit area even though they are defined as non-audit services under SEC guidelines. They are not consulting services. In each instance, Delphi benefits from the efficient use of resources when information and experience developed during the audit process can be leveraged in these related activities. Reflecting both cost management and prudent discretion, we anticipate the ratio of non-audit services to audit fees will be below 1:0 in 2002. Any activities which would cause the ratio to rise above 1:0 must be approved in advance by the Audit Committee. Moreover, the Committee has directed that Delphi not engage any future consulting services with our independent auditor.

In addition to the Audit Committee s oversight of the audit and non-audit services, and auditor independence, Delphi has internal safeguards to monitor and manage both the audit and non-audit services provided by Deloitte & Touche. These safeguards are designed to protect against independence conflicts and are regularly reviewed by the Audit Committee. Deloitte & Touche as well has various internal safeguards over Delphi projects, and confirms its independence in writing each year to the Audit Committee. Besides these internal procedures, we annually seek stockholder ratification of our selection of independent auditors.

On February 6, 2002, Deloitte & Touche announced that it plans to separate its audit and consulting businesses in the near future, to avoid the perception of potential independence issues with audit clients. This action should go far in addressing the proponent s concerns with respect to Delphi. We believe it is important to retain the discretion to determine the best allocation of work among accounting (and other) firms and, when and where it is efficient and cost effective to do so, to select the auditor to perform audit-related services.

Implementation of the proposal could substantially constrain Delphi s ability to access the capital markets, and divest businesses in the normal course of executing our portfolio strategy. This is because the SEC registration services and divestiture audit services, which can be performed only by our independent accountants, would be precluded under the proposal.

The relationship between Delphi and its external auditor is already one of independence. An absolute prohibition against the independent auditor providing non-audit services is not necessary to achieve this goal and could, in fact, be counter productive.

For the reasons explained above, the Board of Directors recommends a vote Against Proposal 7. Proxies solicited by the Board of Directors will be voted Against this Proposal 7 unless stockholders specify a different choice.

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 2001. All of the current directors who were directors in 2001 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 2001. Mr. Thomas H. Wyman, who is currently a member of the Board of Directors and Lead Director, is not standing for election at the annual meeting. The following information about the directors, including the nominees, was provided by the directors.

Board of Directors

Class III Nominees Standing for Re-Election:

Robert H. Brust

Age: 58

Director Since: 2001

Principal Occupation: Chief Financial Officer and Executive Vice President, Eastman Kodak Company

Recent Business Experience: Mr. Brust was named Chief Financial Officer and Executive Vice President of Eastman Kodak Company, effective January 3, 2000. Prior to joining Eastman Kodak Company, Mr. Brust was Senior Vice President and Chief Financial Officer of Unisys Corporation. He joined Unisys Corporation in 1997, where he directed the company s financial organization, including treasury, control, tax, information systems, mergers and acquisitions, strategy, procurement, and investor relations. He is a member of The Conference Board Council of Financial Executives. Before working at Unisys Corporation, he spent 31 years at General Electric Company. Mr. Brust is a member of the Audit Committee of Delphi s Board of Directors.

Alan S. Dawes

Age: 47

Director Since: 2000

Principal Occupation: Executive Vice President and Chief Financial Officer, Delphi Automotive Systems Corporation

Recent Business Experience: Mr. Dawes was named Chief Financial Officer of Delphi Automotive Systems in August 1998 and Director and Executive Vice President in charge of Finance, Mergers & Acquisitions and Information Technology in January 2000. He had been a Vice President of Delphi since November 1998. Previously, Mr. Dawes served as general manager of Delphi Chassis Systems, formerly Delco Chassis Systems, a position to which he was named in 1994. From 1992 to 1994, he was appointed executive-in-charge of Operations for Automotive Components Group Worldwide. Mr. Dawes joined General Motors in 1981, originally as a financial analyst with its Treasurer s Office, and held a number of positions including assistant treasurer in 1988 and assistant comptroller in 1991. Mr. Dawes was an officer at General Motors from 1994 through 1998. He was named Financial Executive of the year in the 1999 Automotive News Industry All Stars and is a member of the Harvard Business Club, The Conference Board Council of Financial Executives, the Working Council for Chief Financial Officers of the Corporate Executive Board, and is Chairman of OESA (Original Equipment Suppliers Association).

Donald L. Runkle

Age: 56

Director Since: 2000

Principal Occupation: Executive Vice President, Delphi Automotive Systems Corporation; President, Delphi Dynamics and Propulsion Sector

Recent Business Experience: Mr. Runkle is an Executive Vice President of Delphi and President of Delphi s Dynamics and Propulsion Sector. In addition, he has responsibility for Delphi Aftermarket business, and is champion of the DaimlerChrysler AG and commercial vehicle accounts. He was Vice President of Delphi and President of Delphi Energy and Engine Management Systems since 1998. Mr. Runkle held a series of engineering, planning and management positions from 1968 to 1993 at General Motors Corporation when he was appointed General Manager of Delphi Saginaw Steering Systems. He was an officer at General Motors Corporation from 1988 through 1998. He was named General Manager of Delphi Energy and Engine Management Systems in 1996. Mr. Runkle is an advisor to the Lean Enterprise Institute.

Continuing Directors

Class I Terms Expiring in 2003:

J.T. Battenberg III

Age: 58

Director Since: 1998

Principal Occupation: Chairman of the Board, Chief Executive Officer and President, Delphi Automotive Systems Corporation

Recent Business Experience: Mr. Battenberg is the Chairman of the Board, Chief Executive Officer and President of Delphi. Mr. Battenberg has led Delphi and its precursor, the Automotive Components Group Worldwide, since 1992. He held various other positions with General Motors Corporation from 1961 through 1992, was elected an executive vice president of General Motors Corporation in 1995 and served as a member of its President s Council. Mr. Battenberg was an officer at General Motors Corporation from 1988 through 1998. Mr. Battenberg is on the Bo