EXPEDITORS INTERNATIONAL OF WASHINGTON INC
Form DEFA14A
March 20, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)
Filed by the Registrant ý

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ Confidential, for Use of the Commission only (as permitted by Rule 14a-6(e)(2))

ý Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to Section 240.14a-12
Expeditors International of Washington, Inc.
(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):

ý No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

EXPEDITORS INTERNATIONAL
OF WASHINGTON, INC.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
May 2, 2012

To the Shareholders of Expeditors International of Washington, Inc.

The Annual Meeting of Shareholders of EXPEDITORS INTERNATIONAL OF WASHINGTON, INC. ("Expeditors" or the "Company") will be held at 2:00 in the afternoon, on Wednesday, May 2, 2012, at the Company's offices located at 1015 Third Avenue, Seattle, Washington, for the following purposes:

(1) To elect eight (8) directors, each to serve until the next annual meeting of shareholders or until a successor is elected and qualified (page 2);
(2) To approve, on a non-binding basis, the compensation of the Company's Named Executive Officers (page 24);
(3) To approve and ratify the adoption of the 2012 Stock Option Plan (page 27);
(4) To ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm for the year ending December 31, 2012 (page 31);
(5) To consider a shareholder proposal to adopt an Independent Board Chairman Policy (page 31), if properly presented at the meeting; and
(6) To transact such other business as may properly come before the meeting.

Shareholders of record at the close of business on March 8, 2012 will be entitled to notice of and to vote at the meeting and any adjournment thereof.

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to Be Held on May 2, 2012.

The Proxy Statement and Annual Report are available to the Company's registered holders and employee stock purchase plan participants at www.envisionreports.com/expd and to the Company's beneficial holders at www.edocumentview.com/expd.

By Order of the Board of Directors
/s/ Peter J. Rose
Peter J. Rose
Chairman of the Board and Chief Executive Officer
Seattle, Washington
March 20, 2012

YOUR VOTE IS IMPORTANT

Whether or not you plan to attend the meeting in person, please sign, date and return the accompanying proxy in the enclosed stamped and addressed envelope; or submit your vote and proxy by telephone or by Internet in accordance with the instructions on your proxy card. This will ensure a quorum at the meeting. The giving of the proxy will not affect your right to vote at the meeting if the proxy is revoked in the manner set forth in the accompanying proxy statement.

EXPEDITORS INTERNATIONAL
OF WASHINGTON, INC.
1015 Third Avenue, 12th Floor
Seattle, Washington 98104

PROXY STATEMENT
ANNUAL MEETING OF SHAREHOLDERS
May 2, 2012

INFORMATION REGARDING PROXIES

This Proxy Statement and the accompanying form of proxy are furnished in connection with the solicitation of proxies by the Board of Directors of Expeditors International of Washington, Inc. (the "Company") for use at the annual meeting of shareholders (the "Annual Meeting") to be held at the Company's offices at 1015 Third Avenue, Seattle, Washington on Wednesday, May 2, 2012, at 2:00 p.m. local time, and at any adjournment or adjournments thereof. Only shareholders of record at the close of business on March 8, 2012 (the "Record Date") will be entitled to notice of and to vote at the meeting. On or about March 21, 2012, we will mail to shareholders either: (i) a copy of our Proxy Statement, a form of proxy and an Annual Report, or (ii) a notice of Internet availability of proxy materials, which will indicate how to access the proxy materials on the Internet.

If the accompanying form of proxy is properly executed and returned, the shares represented thereby will be voted in accordance with the instructions specified thereon. In the absence of instructions to the contrary, such shares will be voted:

(1) FOR all of the nominees for the Company's Board of Directors listed in this Proxy Statement and in the form of proxy;
(2) FOR a non-binding vote approving compensation of our Named Executive Officers;
(3) FOR approval and ratification of the 2012 Stock Option Plan;
(4) FOR the ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm; and
(5) AGAINST the adoption of an Independent Board Chairman Policy.

Any shareholder executing a proxy has the power to revoke it at any time prior to the voting thereof on any matter (without, however, affecting any vote taken prior to such revocation) by delivering written notice to the Secretary of the Company, by executing and delivering to the Company another proxy dated as of a later date or by voting in person at the meeting.

If you hold your shares in street name, it is critical that you cast your vote if you want it to count in the election of directors, the non-binding vote approving compensation of Named Executive Officers, the approval and ratification of the 2012 Stock Option Plan and the adoption of an Independent Board Chairman Policy. If you hold your shares in street name and you do not instruct your bank or broker how to vote in these matters, no votes will be cast on your behalf. Your bank or broker will have discretion to vote any uninstructed shares on the ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm. If you are a shareholder of record and you do not cast your vote, no votes will be cast on your behalf on any of the proposals at the Annual Meeting.

VOTING SECURITIES

The only outstanding voting securities of the Company are shares of Common Stock, $.01 par value (the "Common Stock"). As of the Record Date, there were 212,156,329 shares of Common Stock issued and outstanding, and each such share is entitled to one vote at the Annual Meeting. The presence in person or by proxy of holders of record of a majority of the outstanding shares of Common Stock is required to constitute a quorum for the transaction of business at the Annual Meeting. Shares of Common Stock underlying abstentions and broker non-votes will be considered present at the Annual Meeting for the purpose of determining whether a quorum is present.

Under Washington law and the Company's bylaws, if a quorum is present, the eight nominees for election to the Board of

1

Directors who receive the majority of the votes cast by persons present in person at the Annual Meeting or represented by proxy shall be elected Directors. Abstentions and broker non-votes will not be counted either in favor of or against the election of the nominees and therefore will have no effect on the outcome of the election.

With respect to the proposals for a non-binding vote approving the compensation of Named Executive Officers, approval and ratification of the 2012 Stock Option Plan, the ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm and the adoption of an Independent Board Chairman Policy, such proposals will be approved if the votes cast by persons present at the Annual Meeting or represented by proxy in favor of the proposal exceed the votes cast against such proposal. Abstentions and broker non-votes will not be counted either in favor of or against such proposals and, therefore, will have no effect on the outcomes of such proposals.

No cumulative voting rights are authorized, and dissenters' rights are not applicable to any of the matters being voted on.

Proxies and ballots will be received and tabulated by Computershare Trust Company, N.A., an independent business entity not affiliated with the Company.

The Common Stock is listed for trading on the NASDAQ Global Select Market under the symbol EXPD. The last sale price for the Common Stock, as reported by NASDAQ on March 8, 2012, was $43.83 per share.

PRINCIPAL HOLDERS OF VOTING SECURITIES

The following table sets forth information, as of March 8, 2012, with respect to all shareholders known by the Company to be beneficial owners of more than five percent of its outstanding Common Stock. Except as noted below, each person has sole voting and dispositive powers with respect to the shares shown.

Name and Address	Amount and Nature of Beneficial Ownership	Percent of Class	
Black Rock, Inc., 40 East 52nd Street, New York, NY 10022	11,719,645(1)	5.53	%

(1) The holding shown is as of December 30, 2011, according to Schedule 13G dated January 20, 2012 filed by Black Rock, Inc., a parent holding company.

PROPOSAL 1—ELECTION OF DIRECTORS

The Company's bylaws require a Board of Directors composed of not less than six nor more than nine members. A Board of Directors consisting of eight directors will be elected at the Annual Meeting to hold office until the next annual meeting of shareholders or until their successors are elected and qualified. Any vacancy resulting from the non-election of a director may be filled by the Board of Directors. The Board of Directors has unanimously approved the nominees named below. All nominees are members of the current Board of Directors.

Majority Vote Standard for Director Elections

The Company's bylaws require that in an uncontested election each director will be elected by the vote of the majority of the votes cast. A majority of votes cast means that the number of shares cast "for" a director's election exceeds the number of votes cast "against" that director. A share which is otherwise present at the meeting but for which there is an abstention, or to which a shareholder gives no authority or direction, shall not be considered a vote cast.

In an uncontested election, a nominee who does not receive a majority of the votes cast will not be elected. An incumbent director who is not elected because he or she does not receive a majority vote will continue to serve as a holdover director until the earliest of: (a) 90 days after the date on which an inspector determines the voting results as to that director; (b) the date on which the Board of Directors appoints an individual to fill the office held by that director; or (c) the date of the director's resignation. Under the Company's resignation policy, any director who does not receive a majority vote in an uncontested election will resign immediately.

The Board of Directors may fill any vacancy resulting from the non-election of a director as provided in the Company's bylaws. The Nominating and Governance Committee will consider promptly whether to fill the position of a nominee who fails to receive a majority vote in an uncontested election and may make a recommendation to the Board of Directors about filling the position. The Board of Directors will act on the Nominating and Governance

Committee’s recommendation and within ninety (90) days after the

2

certification of the shareholder vote will disclose publicly its decision. Except as provided in the next sentence, no director who fails to receive a majority vote for election will participate in the Nominating and Governance Committee recommendation or Board decision about filling his or her office. If no director receives a majority vote in an uncontested election, then the incumbent directors (a) will nominate a slate of directors and hold a special meeting for the purpose of electing those nominees as soon as practicable, and (b) may in the interim fill one or more positions with the same director(s) who will continue in office until their successors are elected.

Nominees

Unless otherwise instructed, it is the intention of the persons named in the accompanying form of proxy to vote shares represented by properly executed proxies for the eight nominees of the Board of Directors named below. Although the Board of Directors anticipates that all of the nominees will be available to serve as directors of the Company, should any one or more of them be unwilling or unable to serve, it is intended that the proxies will be voted for the election of a substitute nominee or nominees designated by the Board of Directors.

All directors hold office until the next annual meeting of shareholders of the Company or until their successors are elected and qualified or until the directors' earlier death, resignation, removal or termination of term.

The following persons are nominated to serve as directors until the Company's 2013 Annual Meeting of Shareholders:

Peter J. Rose has served as a director and Vice President of the Company since July 1981. Mr. Rose was elected a Senior Vice President of the Company in May 1986, Executive Vice President in May 1987, President and Chief Executive Officer in October 1988, and Chairman and Chief Executive Officer in May 1991. Mr. Rose's qualifications to serve on our Board of Directors include his nearly 50 years of experience in the international transportation industry and his many years of senior management and director experience. Mr. Rose is the father-in-law of Jeffrey S. Musser, the Company's Executive Vice President and Chief Information Officer.

James L.K. Wang has served as a director and the Managing Director of Expeditors International Taiwan Ltd., the Company's former exclusive Taiwan agent, since September 1981. In October 1988, Mr. Wang became a director of the Company and its Director-Far East, and Executive Vice President in January 1996. In May 2000, Mr. Wang was elected President-Asia Pacific. Mr. Wang's qualifications to serve on our Board of Directors include his nearly 40 years of experience in the international transportation industry, primarily in Asia, and his many years of senior management and director experience.

R. Jordan Gates joined the Company as its Controller-Europe in February 1991. Mr. Gates was elected Chief Financial Officer and Treasurer of the Company in August 1994 and Senior Vice President-Chief Financial Officer and Treasurer in January 1998. In May 2000, Mr. Gates was elected Executive Vice President-Chief Financial Officer and Treasurer. Mr. Gates was also elected as a director in May 2000. In January 2008, Mr. Gates was elected President and Chief Operating Officer of the Company. Mr. Gates' qualifications to serve on our Board of Directors include his over 20 years of experience in the international transportation industry, primarily in accounting, finance and operations, and his many years of senior management and director experience.

Mark A. Emmert became a director of the Company in May 2008. Since 2010 he has been President of the National Collegiate Athletic Association. From 2004 to 2010, Dr. Emmert served as the President of the University of Washington ("UW") and is now President Emeritus. He also continues to hold a faculty appointment in the UW's Evans School of Public Affairs. Prior to the UW, he was chancellor of Louisiana State University. He also served as the chancellor of the University of Connecticut and held administrative and academic positions at the University of Colorado and Montana State University. Dr. Emmert is currently on the Board of Directors of the Weyerhaeuser Company and of Omnicare, Inc. and is a Life Member of the Council on Foreign Relations and a Fellow of the National Academy of Public Administration. Dr. Emmert's qualifications to serve on our Board of Directors include his many years of experience in the administration of educational and personnel development programs, as well as his expertise in the leadership and management of complex operations with rigid public oversight requirements.

Dan P. Kourkoumelis became a director of the Company in March 1993. From 1967 through 1998, Mr. Kourkoumelis was employed in various positions by Quality Food Centers, Inc., a supermarket chain, and became a member of its Board of Directors in April 1991. He was appointed Executive Vice President in 1983 and Chief Operating Officer in 1987, President in 1989 and served as Chief Executive Officer from 1996 to September 1998. Mr. Kourkoumelis is a member of the Board of Directors of the Western Association of Food Chains and the Great Atlantic and Pacific Tea

Company. Mr. Kourkoumelis' qualifications to serve on our Board of Directors include his over 20 years of senior leadership, financial and management experience in a public corporation environment with multiple locations with a primary focus on providing superior customer service.

Michael J. Malone has been a director of the Company since August 1999. Mr. Malone is the retired Chairman and Chief Executive Officer of AEI/DMX Music, a $150 million, multinational music programming and distribution company that he founded in 1971 and subsequently sold via merger to Liberty Media, Inc. in May 2001. From the May 2001 merger through February 7, 2005, Mr. Malone served as Chairman of Maxide Acquisition, Inc., the holding company for DMX Music, Inc. and a subsidiary of Liberty Media Corporation. Mr. Malone currently has interests in several premium hotels and restaurants, including the Sorrento Hotel. He is also currently Principal of Hunters Capital, LLC, a Northwest Real Estate Development and Management Company. Mr. Malone's qualifications to serve on our Board of Directors include his entrepreneurial skills, as well as his over 20 years of senior leadership and management experience with international operations in a business driven by customer service.

John W. Meisenbach became a director of the Company in November 1991 and was appointed Chair of the Compensation Committee in May 2010. Since 1962, Mr. Meisenbach has been the President of MCM, a financial services company. He currently serves on the Board of Directors of Costco Wholesale Corporation, a wholesale membership store chain and M Financial Holdings, a financial services organization. Mr. Meisenbach is a trustee of the Elite Fund, an investment company; and Seattle Children's Hospital Foundation, a child health care and pediatric center. He is active in numerous industry and civic organizations including the United Way of King County; Global Partnerships; Medical Teams International; and Zion Preparatory Academy. Mr. Meisenbach's qualifications to serve on our Board of Directors include his over 40 years of senior leadership and management experience in the customer oriented financial services industry, including venture capital, employee benefits and business financing.

Robert R. Wright became a director of the Company in May 2008, was appointed Chair of the Audit Committee in May 2009 and Lead Director in May 2010. Since 2002, Mr. Wright has been the President and Chief Executive Officer of Matthew G. Norton Co., a real estate investment, development and management firm based in Seattle, Washington. Prior to joining Matthew G. Norton, Mr. Wright was the Regional Managing Partner of Tax for Arthur Andersen and the Chief Financial Officer of Brinderson Ltd., a construction and real estate development company. He currently serves on the Board of Directors for two privately held companies, Matthew G. Norton Co. and Stimson Lumber Company. Mr. Wright's qualifications to serve on our Board of Directors include his over 20 years of senior leadership and management experience with a focus on the areas of tax, finance and real estate, in private industry and the public accounting environment.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS
VOTE FOR ELECTION OF EACH OF THE NOMINEES OF THE BOARD OF DIRECTORS.

CORPORATE GOVERNANCE

Board Leadership Structure and Role in Risk Oversight

There are currently eight members of the Board of Directors, three management directors and five independent non-management directors. The Board has a Lead Independent Director ("Lead Director") and three standing committees: Audit, Compensation and Nominating and Corporate Governance. All of the Board committees are comprised solely of the five independent non-management directors. The three management directors have been deliberately excluded from membership on any of the Board's standing committees. The role of Chairman and Chief Executive Officer was combined when Mr. Rose was appointed to these roles in 1991. Given the structure of the Board of Directors and the Board's standing committees, where only independent non-management directors are members, the Board believes this structure has been effective thus far in the Company's operating history due to Mr. Rose's extensive knowledge of our business and industry, his sound understanding of our business strategy, and his corporate and board experience and leadership skills, which promote board communication, governance, continuity and appropriate oversight. Subject to the vote on a shareholder proposal to adopt an Independent Board Chairman policy, the topic of the combined role of Chairman and Chief Executive Officer is ultimately within the purview of the members of the Board of Directors and is reassessed periodically. The independent non-management directors hold executive sessions at every Board meeting and at such other times as they deem appropriate.

Management is responsible for the assessment and management of risk and brings to the attention of the Board the most material risks to the Company. The Board of Directors provides oversight and guidance to management regarding the material risks. Further, the Board has delegated oversight responsibilities for certain areas of risk to its three standing committees as described below. The Board and its committees regularly discuss with management the

Company's strategies, goals and policies and inherent associated risks in order to assess appropriate levels of risk taking and steps taken to monitor and control such exposures. The Board of Directors believes that the risk management processes in place for the Company are appropriate. Despite the fact that our Chairman and Chief Executive Officer positions are combined, we believe that the active oversight role played by our Lead Director as well as our Board Committees, which consist solely of independent non-management directors, provides the appropriate level of independent oversight for our Company.

Lead Independent Director

On May 5, 2010, the Board of Directors appointed Robert R. Wright to the role of Lead Director. As Lead Director, Mr. Wright is responsible for: (1) presiding at all meetings of the Board if/when the Chairman is not able to be present; (2) presiding at executive sessions of the independent directors; (3) advising the Chairman and Chief Executive Officer as to Board agenda items and meeting dates; (4) being a liaison between the Chairman and Chief Executive Officer and the independent directors; and (5) any other duties as requested by the Board.

Board and Committee Meetings

The Board of Directors of the Company held five meetings during the year ended December 31, 2011 and transacted business on four occasions during the year by unanimous written consent.

The Board of Directors has determined that Messrs. Kourkoumelis, Malone, Meisenbach, Wright and Dr. Emmert, are independent under the applicable independence standards set forth in the rules promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and the rules of the NASDAQ Stock Market.

In 2011, each director attended at least 75% of the aggregate of the total number of Board of Directors meetings and meetings of committees of the Board of Directors on which he served. While the Company has no established policy requiring directors to attend the Annual Meeting, historically, and in 2011, all members were in attendance.

The following table shows the current membership of each committee and the number of meetings held by each committee during the year ended December 31, 2011:

Name	Board of Directors	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee
Peter J. Rose	X			
James L.K. Wang	X			
R. Jordan Gates	X			
Mark A. Emmert*	X	X	X	X
Dan P. Kourkoumelis*	X	X	X	X
Michael J. Malone*	X	X	X	X
John W. Meisenbach*	X	X	X	X
Robert R. Wright*	X	X	X	X
Fiscal 2011 meetings	5	4	4	3

* Independent Non-Management Director

Audit Committee

The Board of Directors has a separately-designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Exchange Act which consists of Messrs. Kourkoumelis, Malone, Meisenbach, Wright and Dr. Emmert. Mr. Wright was elected Chairman on May 6, 2009 and the Board of Directors has determined that he is an audit committee financial expert as defined by Item 407(d)(5) of Regulation S-K under the Exchange Act. In addition, the Board of Directors has determined that each member of the Audit Committee is independent under the NASDAQ independence standards applicable to audit committee members.

The function of the Audit Committee is set forth in the Audit Committee Charter which can be found on the Company’s website at www.investor.expeditors.com. In general, these responsibilities include meeting with the internal financial and audit staff of the Company and members of the independent registered public accounting firm engaged by the Company to review (i) the scope and findings of the annual audit and other procedures, (ii) quarterly and annual financial statements, (iii) accounting policies and procedures and the Company’s financial reporting, and (iv) the internal controls employed by the Company. The Audit Committee has sole authority to appoint, retain, determine funding for, and oversee the Company’s independent registered public accounting

firm. The Audit Committee also pre-approves all services to be provided by the Company's independent registered public accounting firm.

Nominating and Corporate Governance Committee

The Board of Directors has a Nominating and Corporate Governance Committee (the "Nominating Committee"), which consists of Messrs. Kourkoumelis, Malone, Meisenbach, Wright and Dr. Emmert.

The Nominating and Corporate Governance Committee Charter, which can be found on the Company's website at www.investor.expeditors.com, states that the Nominating Committee will assist the Board of Directors by (i) identifying individuals qualified to become members of the Board of Directors, and to recommend the director nominees for the election to be held at the next annual meeting of shareholders; (ii) identifying individuals qualified to become members in the event of a vacancy, and to recommend to the Board of Directors qualified individuals to fill any such vacancy; (iii) recommending to the Board of Directors, on an annual basis, director nominees for each Board of Directors committee; and (iv) providing a leadership role with respect to corporate governance of the Company.

Director Nomination Process

The Policy on Director Nominations, which can be found on the Company's website at www.investor.expeditors.com, describes the process by which director nominees are selected by the Nominating Committee, and includes the criteria the Nominating Committee will consider in determining the qualifications of any candidate for director. Among the qualifications, qualities and skills of a candidate considered important by the Nominating Committee are a candidate's integrity, ethical character, business judgment, professional experience, expertise, and diversity in experiences and perspectives. Also of consideration and interest in director nominees are the experiences that personal diversity, including ethnicity, gender and education can add to the Board of Directors. In considering candidates for the Board, the Nominating Committee considers the entirety of each candidate's credentials in the context of these standards. With respect to the nomination of continuing directors for re-election, the individual's contributions to the Board are also considered.

As a global company, our organization is comprised from top to bottom of people from diverse backgrounds, with over 13,000 employees worldwide, representing more than 60 countries. As a result, the Nominating Committee seeks director candidates with a wide diversity of business and professional experience, skills, gender and ethnic background, which when taken as a whole, will provide the necessary experience, background and leadership to oversee our Company. We believe our current Board of Directors has considerable diversity in business backgrounds and education, as well as cultural and ethnic diversity. Our directors are citizens of three different countries, including one director who is a national of the Republic of China (Taiwan), which we believe has been very valuable due to the level of business that is conducted by our offices in Asia Pacific. As new Board positions are filled, the Nominating Committee will actively seek qualified candidates, including those within its current Board members' community and professional networks, that might allow our Board to benefit from potentially different perspectives arising from gender diversity and further ethnic and cultural diversity on the Board. In the event a search firm is utilized, the firm will be specifically instructed to actively seek qualified candidates with gender, ethnic and cultural diversity. The Nominating Committee at least annually reviews the director nomination procedures to assess the effectiveness of its policies.

The Nominating Committee considers candidates for director who are recommended by its members, by management, and by search firms retained by the Nominating Committee. In addition, the Nominating Committee will evaluate candidates proposed by any single shareholder or group of shareholders that has beneficially owned more than five percent of the Company's common stock for at least one year and that satisfies certain notice, information and consent provisions in the Company's Policy on Director Nominations (such individual or group, the "Qualified Stockholder"). In addition, a shareholder may nominate a candidate for election to the Board of Directors if the shareholder complies with the notice, information and consent provisions of Article II of the Company's Amended and Restated Bylaws which can be found on the Securities and Exchange Commission website at www.sec.gov filed as Exhibit 3.2 to the Company's Form 8-K filed with the Securities and Exchange Commission on or about November 4, 2010. As required by the Company's Bylaws, the notice must be received by the Company not less than 90 days nor more than 120 days prior to the anniversary of the immediately preceding Annual Meeting of Shareholders called for the election of directors. However, if the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the shareholder to be timely must be delivered not earlier than the close of business on the 120th day prior to the date of such annual meeting and not later than the close of business on the later of the 90th day prior to the date of such annual meeting or, if the first public announcement of the date of such annual meeting is less than 100 days prior to the date of such annual meeting, the 10th day

6

following the day on which public announcement of the date of such meeting is first made by the Company.
The Nominating Committee evaluates all candidates (whether identified internally, by a Qualified Stockholder, or nominated by a shareholder), including incumbent directors, in accordance with the criteria described above and in the Policy on Director Nominations. All candidates for director who, after evaluation, are then recommended by the Nominating Committee and approved by the Board of Directors will be included in the Company’s recommended slate of director nominees in its proxy statement.

Communications with the Board of Directors

Shareholders may communicate with the Board of Directors and the procedures for doing so are located on the Company’s website at www.investor.expeditors.com. Information regarding the submission of comments or complaints relating to the Company’s accounting, internal accounting controls or auditing matters can be found in Section 1.18 of the Company's Code of Business Conduct on the Company’s website at www.investor.expeditors.com.

Compensation Committee Interlocks and Insider Participation

The Board of Directors has a Compensation Committee which consists of Messrs. Kourkoumelis, Malone, Meisenbach, Wright and Dr. Emmert. Mr. Meisenbach was elected Chairman on May 5, 2010. The function of the Compensation Committee includes consultation with management in establishing the Company’s general policies relating to senior management compensation, overseeing the implementation of short and long-term compensation programs for senior management, ensuring that incentive compensation programs are consistent with the Company’s annual and long-term performance objectives and do not encourage unnecessary or excessive risk taking by employees, and reviewing and making recommendations to the Board of Directors periodically with respect to the compensation of all non-management directors, including compensation under the Company's equity-based plans. The Compensation Committee has been appointed by the Board of Directors to administer the Company’s stock option plans. The Compensation Committee Charter can be found on the Company’s website at www.investor.expeditors.com.

No member of the Compensation Committee is or has been an officer or employee of the Company and none had any interlocking relationships with any other entities of the type that would be required to be disclosed in this Proxy Statement.

AUDIT COMMITTEE REPORT

The Audit Committee has continuously functioned since it was established in 1984 by action of the Board of Directors. The function of the Audit Committee is set forth in an Audit Committee charter (the "Audit Charter") which was adopted by action of the Board of Directors on May 3, 2000 and was amended on February 22, 2010, and can be found on the Company's website at www.investor.expeditors.com.

Management is responsible for the Company's internal controls and the financial reporting process. The Company's independent registered public accounting firm, selected each year by the Audit Committee, is responsible for performing an independent audit of the Company's consolidated financial statements, and internal control over financial reporting, in accordance with the standards of the Public Company Accounting Oversight Board (United States) and for issuing reports thereon. As described in the Audit Charter, the Audit Committee's responsibility is generally to monitor and oversee these processes. Each member of the Audit Committee was and is independent of management according to both the letter and spirit of the applicable rules.

In addition to its other responsibilities under the Audit Charter, the Audit Committee has reviewed and discussed with management of the Company the Company's audited consolidated financial statements for the year ended December 31, 2011. The Audit Committee has discussed with KPMG LLP ("KPMG"), the Company's independent registered public accounting firm for 2011, the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees), as amended. In addition, the Audit Committee has received from KPMG the written disclosures and the letter required by the Public Company Accounting Oversight Board regarding KPMG's communications with the Audit Committee concerning independence, and discussed with KPMG the auditor's independence from the Company and its management.

Based upon the review and discussions referred to above, the Audit Committee recommended to the Board of Directors of the Company that the Company's audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

AUDIT COMMITTEE OF THE BOARD OF DIRECTORS
Robert R. Wright, Chairman
Mark A. Emmert
Dan P. Kourkoumelis
Michael J. Malone
John W. Meisenbach

DIRECTOR COMPENSATION

Historically, the Company has used a combination of cash and stock-based incentive compensation to attract and retain qualified candidates to serve on the Board. On June 1, 2007, all remaining stock options authorized under the 1993 Directors' Stock Option Plan were granted to the independent non-management members of the Company's Board of Directors. On May 7, 2008, the shareholders approved the 2008 Directors' Restricted Stock Plan. In setting director compensation, the Company considers the amount of time that Directors expend in fulfilling their duties to the Company as well as the skill-level required as members of the Board and its Committees.

Cash Compensation Paid to Board Members

In 2011, members of the Board who are not employees of the Company were entitled to receive an annual cash retainer of $10,000 and $1,000 per day for attending meetings and performing operational reviews. The Board increased the annual cash retainer to $30,000 for 2012. Mr. Wright was paid an additional retainer of $75,000 for his role as Lead Director. Annual cash retainers are paid at the first Board meeting following election or appointment to the Board.

2008 Directors' Restricted Stock Plan

The 2008 Directors' Restricted Stock Plan is only for the benefit of the independent non-management directors. Each independent non-management director receives $200,000 worth of the Company's restricted stock on June 1st of each year. The stock vests ratably over 12 months and dividends are forfeited until all shares for that grant year have been fully vested. On June 1, 2011,

8

each independent director received 3,900 shares with a fair value of $51.27 per share. The taxation ramifications for the issuance of these shares are the sole responsibility of each outside director.

Stock Option Program

Prior to 2008, on June 1st of each year, each independent non-management director received a stock option grant of 32,000 shares at the closing market price on the date of grant. Until an option is exercised, shares subject to options cannot be voted and do not receive dividends or dividend equivalents.

Director Summary Compensation Table for the Fiscal Year Ended December 31, 2011

The table below summarizes the compensation paid by the Company to independent non-management directors for the fiscal year ended December 31, 2011.

Name	Fees Earned or Paid in Cash	Stock Awards(1)	Option Awards	Non-Equity Incentive Plan Compensation	All Other Compensation	Total
Mark A. Emmert(2)	$14,000	199,953	—	—	—	$213,953
Dan P. Kourkoumelis(3)	$15,000	199,953	—	—	—	$214,953
Michael J. Malone(4)	$15,000	199,953	—	—	—	$214,953
John W. Meisenbach(5)	$15,000	199,953	—	—	—	$214,953
Robert R. Wright(6)	$95,000	199,953	—	—	—	$294,953

(1) This column represents the aggregate grant date fair value of restricted shares granted in 2011. The fair value of restricted stock awards is based on the fair market value of the Company’s shares of common stock on the date of grant.

(2) As of December 31, 2011 there were 1,626 unvested restricted shares held by Dr. Emmert.

(3) As of December 31, 2011 there were 192,000 vested option awards and 1,626 unvested restricted shares held by Mr. Kourkoumelis.

(4) As of December 31, 2011 there were 96,000 vested option awards and 1,626 unvested restricted shares held by Mr. Malone.

(5) As of December 31, 2011 there were 64,000 vested option awards and 1,626 unvested restricted shares held by Mr. Meisenbach.

(6) As of December 31, 2011 there were 1,626 unvested restricted shares held by Mr. Wright.

SECURITY OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS

The following table lists the names and ages, and the amount and nature of the beneficial ownership of Common Stock of each Director and nominee, of each of the Named Executive Officers described in the Summary Compensation Table, and all Directors and Executive Officers as a group at March 8, 2012. Except as noted below, each person has sole voting and dispositive powers with respect to the shares shown.

Name	Age	Amount and Nature of Beneficial Ownership	Percent of Class	
Directors and Nominees:				
Peter J. Rose(1)	68	1,224,479	*	
James L.K. Wang(2)	64	556,496	*	
R. Jordan Gates(3)	56	485,634	*	
Mark A. Emmert(4)	59	13,306	*	
Dan P. Kourkoumelis(5)	60	263,167	*	
Michael J. Malone(6)	67	219,015	*	
John W. Meisenbach(7)	75	152,921	*	
Robert R. Wright(8)	52	9,515	*	
Additional Named Executives Officers:				
Robert L. Villanueva(9)	59	247,123	*	
Bradley S. Powell (10)	51	9,543	*	
All Directors and Executive Officers as a group (20 persons)(11)		4,827,327	2.28	%

* Less than 1%

(1) Includes 63,740 shares subject to purchase options exercisable within sixty days.

(2) Includes 94,250 shares subject to purchase options exercisable within sixty days.

(3) Includes 65,108 shares subject to purchase options exercisable within sixty days.

(4) Includes 3,574 restricted shares for which the director has sole voting power, but dispositive power is restricted through May 31, 2012.

(5) Includes 160,000 shares subject to purchase options exercisable within sixty days and 3,574 restricted shares for which the director has sole voting power, but dispositive power is restricted through May 31, 2012.

(6) Includes 96,000 shares subject to purchase options exercisable within sixty days and 3,574 restricted shares for which the director has sole voting power, but dispositive power is restricted through May 31, 2012.

(7) Includes 64,000 shares subject to purchase options exercisable within sixty days and 3,574 restricted shares for which the director has sole voting power, but dispositive power is restricted through May 31, 2012.

(8) Includes 3,574 restricted shares for which the director has sole voting power, but dispositive power is restricted through May 31, 2012.

(9) Includes 80,470 shares subject to purchase options exercisable within sixty days.

(10) Includes 7,500 shares subject to purchase options exercisable within sixty days.

(11) Includes 1,291,140 shares subject to purchase options exercisable within sixty days and 17,870 restricted shares for which the directors have sole voting power, but dispositive power is restricted through May 31, 2012.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview of Compensation Program

The Compensation Committee of the Board of Directors (all of whom are independent, non-management directors) has responsibility for the determination and oversight of:

- Base salaries for Executive Officers, which are set annually.
- The Company's executive non-equity incentive compensation program (the 2008 Executive Incentive Compensation Plan), as approved by shareholders in 2008. This oversight includes approving participants of the executive non-equity incentive compensation program as well as the percentage each participant will receive of amounts available for distribution under the program and authorizing the actual payments of the non-equity incentive compensation program before they occur.
- The Company's equity compensation programs, consisting of both non-qualified and incentive stock option grants. This oversight includes recommending the amount of total options to be submitted for shareholder approval via the Company's annual proxy statement, as well as approving the amounts of stock options awarded to each employee, particularly the Company's Executive Officers.
- Employment agreements with Executive Officers, including the Chief Executive Officer's post-retirement services agreement.

Throughout this Proxy Statement, the individuals who served as the Company's Chief Executive Officer, Chief Operating Officer and Chief Financial Officer during fiscal 2011, as well as the other individuals included in the Summary Compensation Table on page 21 are referred to as the "Named Executive Officers." The term Executive refers to individuals who are Executive Officers or are otherwise participants in the executive non-equity incentive compensation program, but are not Named Executive Officers. The term senior management includes all Named Executive Officers, Executive Officers and other officers of the Company.

General Philosophy and Objectives

We believe that our compensation programs, which have been in place since the Company became a publicly traded entity, are one of the unique characteristics responsible for differentiating our performance from that of many of our competitors. Throughout the Company's history, our managers, including our most senior managers, have been compensated through a combination of three basic compensation techniques. These consist of:

1. A fixed and modest base salary, one that is intended to be substantially lower (50-89% lower in cases of Executive Officers) than comparable base salaries for similar positions in our industry;

2. A broad-based equity compensation program in the form of stock option grants made to individual employees; and

3. A non-equity incentive compensation program based upon a fixed percentage of the cumulative operating results of the business unit controlled by each key employee, with no upper limit on the potential dollar amount that can be earned through sustained business growth.

The Company has maintained a consistent compensation philosophy: offer a confident and capable individual a modest base salary and the opportunity to share in a fixed and determinable percentage of the operating profit generated by the business unit under his or her control. Growth in individual compensation will only occur in conjunction with an increase in the contribution to Company profits. Key elements of this compensation philosophy include:

1. Encouraging each manager to think and act as an entrepreneur;

2. Establishing compensation levels that are not perceived as being arbitrary;

3. Developing financial rewards that are team-oriented; and

4.

Closely aligning the interests of the individual employee with the goals of the Company and returns to the shareholders.

Using this compensation model, changes in individual incentive compensation will occur in proportion to changes in Company profits, creating a direct alignment between corporate performance and shareholder interests. The effectiveness of this alignment is

11

demonstrated by comparing the year-over-year impact on 2011, 2010 and 2009 management bonuses. The Company’s operating income in 2011 was 13% higher than the amount reported in 2010. Bonuses earned by field and corporate management in 2011 were also both up 13% as compared with 2010. The Company’s operating income in 2010 was 42% higher than the amount reported in 2009 and bonuses earned in 2010 increased by 35% as compared with 2009. The Company’s operating income was 19% lower in 2009 compared to 2008 and bonuses earned also declined by 19%. The Company’s management incentive compensation programs have always been incentive-based and performance driven and there is no built-in bias that favors or enriches management in a manner inconsistent with overall corporate performance. The non-equity incentive compensation program is intended to provide the largest component of Executive compensation.

Due to the fact that the non-equity incentive compensation program is based on cumulative operating income, any operating losses that are incurred must be recovered from future operating profits before any amounts will be due to participating Executives. Since the most significant portion of management compensation comes from the incentive bonus programs, the Company believes that this cumulative feature is a disincentive to excessive risk taking by its managers. No one individual has the authority to commit the Company to excessive risk taking. Due to the nature of the Company’s services, the operating cycle is short. The outcome of any higher risk transactions, such as overriding established credit limits, would be known in a relatively short time frame. Management believes that when the potential and certain impact on the bonus is fully considered in light of this short operating cycle, the potential for short term gains that could be generated by engaging in risky business practices is sufficiently mitigated to discourage excessive and inappropriate risk taking. Management believes that both the stability and the long term growth in revenues, net revenues and net earnings are a result of the incentives inherent in the Company’s compensation program.

We do not employ third-party compensation consultants and our benchmarking activities are limited to reviewing base salaries and other current compensation information and practices disclosed by certain U. S. publicly traded companies in the logistics and transportation industry. This limited benchmarking has not altered our compensation programs, policies or decisions but does annually confirm certain comparative disclosures, such as base salaries of our Named Executive Officers compared to base salaries for similar positions in our industry, and that our compensation package offered to executives is competitive and gives our executives the opportunity to earn superior levels of compensation. Certain information from the Proxy Statements of CH Robinson Worldwide, Inc., FedEx Corporation, Forward Air Corp., Hub Group, Inc., Landstar System, Inc., Ryder System, Inc., United Parcel Services, Inc. and UTi Worldwide, Inc. were reviewed for comparison purposes. While most of these companies are not necessarily comparable in size to our Company, some are significantly larger and others considerably smaller, the Compensation Committee believes this information is useful for the limited comparisons described above.

It is the opinion of both the Compensation Committee and the Company’s management that the manner and degree to which each of these components has been utilized in combination with the others has had a direct impact on the Company’s long-term financial performance. Furthermore, we believe that this combined compensation program has a proven track record of aligning both the long-term and short-term interests of our Company’s Executives with the long-term interests of our Company’s shareholders. The Compensation Committee considered the results of last year's say-on-pay vote in reviewing the Company's compensation policies. The Compensation Committee viewed the 96% favorable vote on last year's say-on-pay vote as further validation of the Company's approach to Executive compensation and as a result no changes were made.

Targeted Overall Compensation. Management does not believe that compensation targets, per se, are consistent with the underlying compensation philosophy utilized by the Company. The Company does, however, recognize that because it operates in the highly competitive global logistics services industry, the quality of its service depends upon the quality of the Executives and other employees it is able to attract and retain. In order to succeed, the Company believes that it must be able to attract and retain qualified Executives and employees. The Compensation Committee considers the competitiveness of the entire compensation package of an Executive Officer relative to that paid by similar companies when evaluating the adequacy of the base salaries, percentage allocation of the non-equity incentive compensation program and grants of stock options. The Company’s objective is to offer a total compensation package which gives the Executive the opportunity to be paid at a level which the Company believes to be superior to that offered by the Company's competitors in the global logistics services industry. The Company believes that the opportunity for achieving superior levels of compensation is predicated on achieving sustained, long-term profitable results which are superior to those of the Company's competitors.

Based on the Company's general philosophy and objectives described above, hypothetical targets for the overall compensation for Executives and other managers are considered neither useful nor desirable. The Compensation Committee is actively involved in reviewing and approving payments under the non-equity compensation program which are available to each participating Executive, including the Named Executive Officers. These payments are allocated from a pool consisting of 10% of pre-bonus operating income (referred to hereafter as the “pool”). This is done in consultation with the Chairman and Chief Executive Officer. Over time, as the Company has grown, more Executives have been added to this program. The overriding motivation in determining the relative percentage of the pool allocated to each Executive has not been to target specific levels of compensation. Rather, these allocations of the pool have been made to perpetuate a culture that focuses management’s attention on creating and sustaining long-term profitable earnings growth by rewarding an increasing number of key Executives with a percentage of the Company’s growing profits, which are primarily a function of year-over-year increases in operating income. Both management and the Compensation Committee are committed to keeping this non-equity incentive compensation program intact. With respect to Named Executive Officers, the Compensation Committee administers the non-equity incentive compensation program.

Role of Executive Officers in Compensation Decisions

The Compensation Committee makes all compensation decisions for the Named Executive Officers as well as base salaries and stock option grants for all Executive Officers (from the total amount of stock options approved annually by the shareholders). These decisions, other than compensation and option grant determinations of the Chief Executive Officer, are made in consultation with the Chairman and Chief Executive Officer, but implementation of all recommendations of the Chairman and Chief Executive Officer requires the formal written approval of the Compensation Committee. With respect to the non-equity incentive compensation program, the Chairman and Chief Executive Officer recommends allocation percentages for all participating Executives, which must be reviewed and approved by the Compensation Committee. Two Executive Officers did not participate in the non-equity incentive compensation program. While their base salary, title and appointment are subject to approval by the Compensation Committee, their portion of non-equity incentive compensation comes from the standard bonus amounts recorded as part of field operations (25% of pre-bonus operating income, after a corporate management fee is levied). Base salaries for each Executive not participating in the non-equity incentive compensation program are recommended by the applicable Named Executive Officer to whom the Executive reports.

Base Salaries. Throughout its history, the Company has followed the policy of offering its officers and other key managers a compensation package which is weighted toward incentive-based compensation. Accordingly, the Company believes that annual base salaries of its Executive Officers are generally set well below competitive levels paid to senior executives with comparable qualifications, experience and responsibilities at other comparably-sized companies engaged in similar businesses as to that of the Company. This belief is based on the general knowledge of the Compensation Committee and management of the compensation practices in the industry and, in part, on a review of compensation disclosures in the proxy statements of such comparably-sized companies, including certain companies in the industry group index shown in the stock performance graph included in the Company’s Annual Report to shareholders.

We believe that modest, below-market base salaries are a key component in the Company’s compensation strategy. The primary intention of our compensation philosophy is to create a situation where the risks and returns of entrepreneurship are present at each significant level of the Company. Base salaries for all Executive Officers are reviewed and approved by the Compensation Committee, in consultation with the Chairman and Chief Executive Officer, as part of an annual overall review of compensation. The base salary may be changed as the result of the Compensation Committee’s decision that an individual’s contribution, duties, and responsibilities to the Company have changed. Base salaries for Named Executive Officers are typically not adjusted. The base salary of $110,000 per annum for the current Chairman and Chief Executive Officer, for instance, has not changed since assuming that position in 1988. The base salary for all other Named Executive Officers is $100,000 per annum and has not changed in the past five years.

Base salaries for each of the Named Executive Officers for 2011 were as follows:

Name	Position	Base Salary
Peter J. Rose	Chairman and Chief Executive Officer	$110,000
James L.K. Wang	President-Asia Pacific	$100,000
R. Jordan Gates	President and Chief Operating Officer	$100,000

Robert L. Villanueva	President-The Americas	$100,000
Bradley S. Powell	Senior Vice President and Chief Financial Officer	$100,000

13

Equity Compensation Programs. The Company provides an equity compensation program in the form of stock option grants made to individual employees, including Executive Officers, at the discretion of the Compensation Committee. The Company believes that stock option grants afford a desirable, long-term compensation method because they closely align the interests of management with the interests of shareholders. During 2011, the Compensation Committee granted stock options for 2,998,390 shares to approximately 3,900 employees including two Named Executive Officers as shown in the table below. All stock options granted by the Compensation Committee in 2011 were made based upon recommendations by management on the basis of the factors set forth below and endorsed by the Chairman and Chief Executive Officer. As a practice, any option grant recommendations and subsequent option grants to the Chief Executive Officer and the Executive Officers who reported directly to the Chief Executive Officer are made at the sole initiative and discretion of the Compensation Committee. The Named Executive Officers who received a stock option grant in 2011 were recommended and approved to receive stock options by the Compensation Committee.

The total number of stock options available to be granted in 2011 was determined by an annual shareholder vote as has been done the previous seven years. All options issued to employees in 2011 were granted with an exercise price equal to 100% of the closing market price on the grant date and will be 50% vested three years from the date of grant, 75% vested four years from the date of grant, and 100% vested five years from the date of grant and having an expiration date of ten years from the date of grant.

The vast majority of stock option grants are made annually at the meeting of the Board of Directors immediately following the annual shareholders meeting. During 2011, all stock options were granted at the closing market price on the day of the 2011 Annual Meeting of the Board of Directors. These options were granted with an exercise price equal to the closing market price on the date of grant and vested on the same vesting schedule detailed in the previous paragraph. The closing market price is the price at which the Company's Common Stock was last sold on the NASDAQ Global Select Market on the date in question.

Factors that affect the amount of stock options awarded to employees, including Executive Officers, are as follows:

- amount of cumulative stock option grants the employee has received;
- employee performance during the past 12 months, including promotions or other noteworthy accomplishments;
- time elapsed since previous stock option grants;
- amount of grants relative to peers within the Company; and
- tenure with the Company and tenure in most recent position.

Stock options granted to each of the Named Executive Officers in 2011 are as follows:

Name	Position	2011 Stock Option Grants
Peter J. Rose	Chairman and Chief Executive Officer	—
James L.K. Wang	President-Asia Pacific	—
R. Jordan Gates	President and Chief Operating Officer	—
Robert L. Villanueva	President-The Americas	5,500
Bradley S. Powell	Senior Vice President and Chief Financial Officer	8,000

Under the Company's outstanding stock option plans and agreements thereunder, incentive stock options granted under the 2008, 2009, 2010 and 2011 Stock Option Plans and non-qualified stock options will terminate upon the first to occur of: (1) expiration of the option; (2) ninety days (or three months in the case of the Company's 2010 and 2011 Stock Option Plans and agreements thereunder) following the optionee's termination of employment, other than as a result of death or disability; or (3) six months following the optionee's death or cessation of employment by reason of disability. For options granted prior to the Company's 2008 Stock Option Plan, incentive stock options will terminate upon the first to occur of: (1) expiration of the option; (2) termination of employment, other than as a result of death or disability; or (3) ninety days following the optionee's death or cessation of employment by reason of disability.

The Company does not provide employee pension plans except in several isolated instances outside the United States where required to do so by law. The added element of an equity incentive compensation program serves two purposes. First, the program provides the means for funding individual long-term financial goals (such as retirement, children's education, etc.) by encouraging employees' long term commitment to creating shareholder value through continued, active service. Second, the program provides a disincentive to management and employees to make short-term business decisions to obtain short-term profits at the expense of long-term corporate and shareholder interests.

14

Non-Equity Incentive Compensation Program. The Company has maintained a non-equity incentive compensation program for Executive Officers since its inception. In January 1985, the Compensation Committee fixed the aggregate amount of non-equity incentive compensation under the program to 10% of pre-bonus operating income. The Compensation Committee also considered the aggregate amount of discretionary bonuses paid to Executive Officers in each of the years from 1982 to 1984, which approximated 10% of operating income during those years.

The Compensation Committee believes that setting the pool at a fixed percentage of operating income, with fluctuations in amounts paid tied to actual changes in operating income, provides both a better incentive to the Executives than discretionary bonuses or targeted performance goals, and a more direct relationship between each Executive's incentive compensation and shareholders' return. By placing emphasis on growth in operating income, any change in compensation is directly proportional to the profit responsibility of the Executive Officers.

On May 7, 2008, the shareholders adopted the 2008 Executive Incentive Compensation Plan (the "2008 Compensation Plan"). The 2008 Compensation Plan recognizes and rewards, on an annual basis, selected Company executives for their contributions to the overall success of the Company and qualifies compensation paid under this Plan as "performance-based compensation" as that term is defined in Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"). The 2008 Compensation Plan replaced the 1997 Executive Incentive Compensation Plan.

All officers of the Company who receive an annual base salary equal to or less than $120,000 are eligible for inclusion in the 2008 Compensation Plan at the discretion of the Compensation Committee. Individual eligibility and allocation is determined quarterly. Under the 2008 Compensation Plan, any portion of the pool which is not allocated by action of the Compensation Committee may be allocated to key employees determined to be eligible at the discretion of the Chief Executive Officer. However, allocations made by the Chief Executive Officer cannot increase the compensation of any Named Executive Officer nor can such an allocation cause any individual to become a Named Executive Officer.

Factors that contribute to how much each Executive receives of the non-equity incentive compensation pool are:

- Historical role within the Company. The Executives having the two highest percentages of the pool, Peter J. Rose, Chairman and Chief Executive Officer and James L.K. Wang, President—Asia Pacific were founding employees of the Company. The relatively significant portions of this pool awarded to these individuals are in partial recognition of their role as founders and their cumulative experience managing the Company. In addition, each of their shares of the pool reflects the significant influence each has played in maximizing corporate profits and thereby increasing shareholder value, since the Company became a public entity in September of 1984. It should be noted, however, that the relative percentage of the pool for each of these founding employees continues to diminish over time as additional Executives participate in the program. Since 2003, as more participants have been added to the program, the relative percentage of the pool allocated to Mr. Rose and Mr. Wang decreased by approximately 30% and 29%, respectively. With respect to the other Named Executive Officers, the relative percentages have changed over time due to a variety of factors. The relative percentage allocated Mr. Villanueva has diminished by approximately 14% over this same time period while the relative percentage allocated to Mr. Gates increased 4%. This increase was concurrent with Mr. Gates' appointment as President and Chief Operating Officer effective January 1, 2008. The portion of the Executive Bonus Pool allocated to the President and Chief Operating Officer in 2011 was 33% less than the percentage allocated to that position in 2003. Mr. Powell joined the Executive Bonus Pool as Chief Financial Officer in October 2008 and the portion allocated to the Chief Financial Officer in 2011 was 38% less than the percentage allocated to that position in 2007, when Mr. Gates held just that position.
- Function and responsibility. Executives who are in charge of major geographical regions (such as the Americas, Asia Pacific and the EMAIR [Europe, Middle East, African and Indian subcontinent] regions) or major product and service functions (such as air, ocean, brokerage, product management, information technology, marketing, accounting and finance) reporting directly to the Chairman and Chief Executive Officer or the President and Chief Operating Officer, are allotted a higher percentage of the pool than those serving in other capacities.

The length of time an Executive has been with the Company and the resulting experience of the Executive, his or her role during that time and his or her contribution to increasing corporate profits and shareholder value all contribute to the amount of compensation an Executive receives under the non-equity incentive compensation program.

- Tenure with the Company and tenure in position. The longer an Executive has participated in the non-equity incentive compensation program, the more money he or she is eligible to earn as the Company's operating income grows. At the same time, the longer an Executive participates in the program (as was the case with most of the Named Executive Officers as discussed above), the smaller his or her percentage of the pool becomes over time as more Executives participate in the program. The Company's philosophy is to have each individual participant gradually receive a smaller percentage of a larger pool over time.
- Adjustments, performance and promotion. From time to time, as older Executives retire and new Executives are promoted into a new position and/or added to the program, the relative percentages are adjusted. Adjustments are also made to give recognition to promotions, achievements and other noteworthy accomplishments.

Amounts earned by all participants in the non-equity incentive compensation program (approximately 75 participants) during 2011 totaled $68,702,000, of which $50,953,376 was paid to Executive Officers. Amounts earned by Named Executive Officers from the non-equity incentive compensation program during 2011 and each Named Executive Officers' share of the available pool as approved by the Compensation Committee are as follows:

Name	Position	% of Pool	2011 Amount Earned
Peter J. Rose	Chairman and Chief Executive Officer	9.7 %	$6,695,888
James L.K. Wang	President-Asia Pacific	9.2 %	$6,293,532
R. Jordan Gates	President and Chief Operating Officer	7.7 %	$5,320,683
Robert L. Villanueva	President-The Americas	7.3 %	$4,991,643
Bradley S. Powell	Senior Vice President and Chief Financial Officer	4.5 %	$3,102,539

While the Company has never incurred an annual or quarterly operating loss since going public in September 1984, such a loss would result in a moratorium on any kind of compensation payments under the non-equity incentive compensation program. The participants in the program would not be entitled to, nor would they expect, any form of payments under the program. More importantly, no further non-equity incentive compensation program payments would be due or payable to participating Executives until future operating income surpassed the operating loss previously incurred. At that time, non-equity incentive compensation would only be due for the portion of cumulative profitability beyond the value of the profits offsetting the operating loss. More simply put, any operating losses must be made up by operating profits, in the aggregate, before permitting further payments under the non-equity incentive compensation program. This also applies across yearly reporting cycles. Were the Company to incur an operating loss in the fourth quarter and record operating income in the first quarter of the ensuing year, the amount of pre-bonus operating income earned in the first quarter must exceed the amount of loss in the previous quarter before any non-equity incentive compensation would be due. This would also apply to a situation where operating income, for years which have previously been audited and reported upon, is subsequently adjusted downward. In that situation, no payments under the non-equity incentive compensation program would be due until future operating income results exceed the amount of the downward adjustment. The Compensation Committee believes that the combination of the Company's short operating cycle and this compensation structure, which emphasizes cumulative operating income, does not encourage our management to take unreasonable risks relating to the Company's business. No additional payments would ever be due if such adjustments increased previously reported fiscal year operating income. The structure of the non-equity incentive compensation plan is designed to discourage our employees from taking unreasonable risks relating to the Company's business. The compensation paid to our Named Executive Officers is weighted heavily toward the non-equity incentive compensation plan, which we believe is an essential part of risk oversight. The percentage of total compensation paid to our Named Executive Officers under the non-equity incentive compensation plan ranged from 92% to 98% in 2011.

The portion of the pool that is allocated to each Named Executive Officer, or other participating Executive Officer, is approved by the Compensation Committee at the beginning of each quarter and the corresponding quarterly distributions are made subsequent to filing the Company's Form 10-Q or Form 10-K with the Securities and Exchange Commission. Actual amounts are only paid subsequent to review by, and receipt of written approval from, the Compensation Committee.

Perquisites and Other Personal Benefits

From a philosophical standpoint, the Company does not provide Executive Officers, named and otherwise, and senior managers with perquisites and personal benefits that are not available to all employees. The Company provides standard benefits packages to all employees which vary country by country based on individual country regulations. In the United States, for instance, the Company

16

pays 100% of the medical, dental and vision insurance premiums, as well as offering a matching contribution of $.50 for each $1.00 of employee savings, up to a maximum annual Company contribution of $1,500 per qualified employee, under an employee savings plan intended to qualify under Section 401(k) of the Code. The Company believes that the compensation potential available from its three main components of compensation detailed herein are sufficiently attractive that the reliance on other forms of exclusive perquisites and benefits are not necessary to enable the Company to attract and retain superior employees for key positions.

The Company does not believe that the aggregate value of any perquisites for any Named Executive Officer exceeds $10,000 per year.

Employment Agreements

The Company has entered into employment agreements with all of the Named Executive Officers which provide for the base salaries as indicated above. Each of the employment agreements is automatically renewable upon expiration for additional one-year periods unless either party elects otherwise.

Potential Payments upon Termination and Change in Control

The employment agreement for each Named Executive Officer, other than the Chief Executive Officer, (as well as for all Executive Officers) contains a covenant not to compete which allows the Company to extend the restriction on competition with the Company for six months following termination of the employment relationship. The extension is at the sole discretion of the Company unless the employee terminates the employment relationship by resigning during a specified period surrounding a “change in control,” as defined and discussed below, in which case the employee may decline any accompanying lump sum payment and thereby avoid the accompanying restriction on competition. With respect to the Chief Executive Officer, the employment agreement provides for the automatic extension of the covenant not to compete for six months except that the extension shall not be effective upon resignation or termination without cause during a specified period surrounding a “change in control” as discussed below.

The Company regularly grants stock options to its employees including the Named Executive Officers. The stock options granted under the Company’s stock option plans for employees vest at the rate of 50% three years from the date of grant, an additional 25% four years from the date of grant and the balance five years from the date of grant. However, these option plans all provide that outstanding options will become immediately vested and fully exercisable in connection with the occurrence of a “change in control” of the Company.

“Change in Control” means either of the following: (i) when any person (with certain exceptions) becomes the beneficial owner, directly or indirectly, of 50% of the Company’s then outstanding securities or (ii) when shareholder approval is obtained for a transaction involving the sale of all, or substantially all, of the assets of the Company or a merger of the Company with or into another company.

The following tables illustrate the payments due to each of the Named Executive Officers in the event of termination under either "for cause" or "without cause".

Name	For Cause(1)	For Cause with Non-Compete Agreement(1)	Without Cause(2)
Peter J. Rose(3)	$55,000	$ 55,000	$3,554,176
James L.K. Wang	—	$ 50,000	$3,196,766
R. Jordan Gates	—	$ 50,000	$2,710,342
Robert L. Villanueva	—	$ 50,000	$2,545,822
Bradley S. Powell	—	$ 50,000	$1,601,270

* All amounts are based upon calculations at December 31, 2011.

(1) When terminating an Executive Officer for cause, the Company may, in its sole discretion, enforce the non-compete provision contained in the employment agreements for a lump sum payment representing 50% of the Executive Officer's base salary. The term "cause" as defined by the employment agreement is any act of an Executive Officer, which in the reasonable judgment of the Board of Directors, constitutes dishonesty, larceny, fraud, deceit, gross negligence, a crime involving moral turpitude, willful misrepresentation to shareholders, directors or officers or material breach of the employment agreement. With respect to Mr. Rose, his employment agreement, which contains a post-retirement service clause, was amended to call for an automatic lump sum payment by the Company representing 50% of his base salary. The non-compete provision is automatically extended except in circumstances discussed above.

(2) When terminating an Executive without cause, the Company must pay the Executive Officer cash compensation in a lump sum amount equal to 50% of his or her base salary plus 50% of the amount of the preceding twelve months of non-equity incentive compensation.

(3) Without cause termination compensation to Mr. Rose would also include amounts that would become due under provisions of a post employment-personal services agreement as described on page 19 of this Proxy Statement.

The following table and accompanying narrative illustrates the payments that would be due to each of the Named Executive Officers under several possible "change in control" scenarios.

	Column 1		Column 2	Column 3	Column 4
	Accelerated Vesting of Stock Options Based on Change in Control		Resign or Terminated for Cause	Terminated for Cause with Non-Compete Agreement	Terminated Without Cause
Name	Shares	Realized Gain(1)			
Peter J. Rose	2,500	$ —	$55,000	$55,000	$3,554,176
James L.K. Wang	2,500	$ —	—	$50,000	$3,196,766
R. Jordan Gates	3,750	$ —	—	$50,000	$2,710,342
Robert L. Villanueva	14,250	$ 19,150	—	$50,000	$2,545,822
Bradley S. Powell	40,500	$ 57,600	—	$50,000	$1,601,270

(1) The realized gain was calculated based on a closing market price of the Company's Common Stock of $40.96 per share at December 31, 2011, multiplied by the number of each Named Executive Officer's unvested stock options at that date, which would immediately vest in the event of a change in control as of that date, less the aggregate amount that would be required to be paid to exercise the options.

Scenario 1: No changes are made in management as a result of a change in control as described above. Named Executive Officers would receive the realized gain on acceleration of unvested stock options shown in Column 1.

Scenario 2: Named Executive Officer's employment agreements are terminated with cause subsequent to a change in control. Amounts due would include the realized gain on acceleration of unvested stock options under Column 1. No amounts are due to the Named Executive Officer under Column 2 other than for the Chairman and Chief Executive Officer. At the Company's discretion, as noted above, for a lump sum payment of half the Named Executive Officer's base salary under Column 3, the Company could invoke the non-compete provisions contained in the employment agreement. Mr. Rose's employment agreement, as noted

18

above, requires lump sum payment of half of Mr. Rose's base salary under Column 3. The non-compete provisions are automatically extended.

Scenario 3: Named Executive Officer resigns subsequent to a change in control. The Named Executive Officer would be entitled to the realized gain on the acceleration of unvested stock options under Column 1. Other than the Chairman and Chief Executive Officer, the Named Executive Officer would not be entitled to any cash compensation. The Company could, in its sole discretion (except with respect to the Chairman and Chief Executive Officer), pay the Named Executive Officer a lump sum amount under Column 3 in exchange for invoking the non-compete provisions in the employment agreement. In a change in control situation, the Named Executive Officer has the option to reject or to accept this lump sum payment. By rejecting the payment, the Executive will no longer be subject to the non-compete provisions of the employment agreement. Because of the post-retirement services feature in the Chairman and Chief Executive Officer's employment agreement, a lump sum payment of half of the base salary shown under Column 3 is required. The Chairman and Chief Executive Officer would no longer be subject to the non-compete provisions of the employment agreement.

Scenario 4: Named Executive Officer's employment agreements are terminated without cause subsequent to the change in control. Amounts due would include the realized gain on the acceleration of unvested stock options shown in Column 1. In addition, the Named Executive Officer would be entitled to receive cash compensation based on one-half of base salary plus one-half of the amount of non-equity incentive compensation program received by the Executive in the preceding twelve months under Column 4. Under the terms of the employment agreement, when an Executive is terminated without cause, the non-compete provisions remain in effect for six-months from the date of termination, except with respect to the Chairman and Chief Executive Officer, whose non-compete provisions will not be applicable following termination without cause subsequent to a change in control.

Post Employment—Personal Services Agreement. The employment agreement of the Chairman and Chief Executive Officer contains a term providing for post-employment personal services to the Company for a minimum of sixty days per year including up to twenty days of business travel annually. Subject to earlier termination as described below, the personal services agreement will run until age seventy. In exchange for his services to the Company, the Chairman and Chief Executive Officer will receive an annual payment initially equal to the base salary received for the most recent twelve months of service. Payments after the first year will be indexed for changes to the Consumer Price Index (CPI) or similar index.

Had the Chairman and Chief Executive Officer retired on December 31, 2011, the initial annual payment under this agreement would have been $110,000. Assuming a yearly increase of 3.5% (the annual change in the 2011 CPI) for each ensuing annual payment and including certain standard benefits, the Company estimates that it would pay the Chairman and Chief Executive Officer approximately $150,000 through March 13, 2013 (the agreement's remaining term), unless earlier terminated, as provided below. The agreement also extends coverage under the Company's standard benefits package as amended from time to time. The Chairman and Chief Executive Officer is prohibited from competing with the Company during the term of the personal services agreement and for six months thereafter. The obligation of the Company for such compensation is subject to termination in the event of death, disability or willful failure to perform and would also terminate in the event that employment was terminated for cause.

The Compensation Committee recognizes the key role that continuity in personal relationships plays in the global logistics services business. This personal services agreement assures the Company of the post-retirement involvement and loyalty of the Chairman and Chief Executive Officer. In addition, this agreement anticipates and facilitates the eventual orderly transition from one Chief Executive Officer to another.

Other Retirement or Disability Payments. Other than the post employment-personal services agreement of the Chairman and Chief Executive Officer, the Company has no formal retirement obligations to make any payments to any Executive Officer upon his or her death, disability or retirement except to Executive Officers domiciled in countries where statutory regulation require that these benefits be provided to all employees.

While there is no legal or contractual obligation to do so, the Company has, on occasion, accelerated the vesting of any unvested stock options of employees who pass away.

Policy on Deductibility of Compensation. Under Section 162(m) of the Code, the Federal income tax deduction for certain types of compensation paid to certain of the Named Executive Officers, is limited to $1,000,000 per Named

Executive Officer per taxable year unless such compensation meets certain requirements. The Compensation Committee believes that this limitation will not apply to compensation accrued in 2012. In making future compensation decisions, the Compensation Committee intends to take into

19

account and mitigate to the extent feasible the effect of Section 162(m) as it discharges its responsibilities, although in certain cases the Compensation Committee may award compensation to Named Executive Officers which are not fully deductible as a result of this limitation. (Please refer to page 29 for further discussion concerning the deductibility of compensation relating to the proposed 2012 Stock Option Plan.)

Accounting for Stock-Based Compensation. The Company accounts for stock-based payments including its Stock Option Plans, Restricted Stock Program and Employee Stock Purchase Plan in accordance with the requirements of Accounting Standards Codification Topic 718, Compensation – Stock Compensation.

COMPENSATION COMMITTEE REPORT

The Compensation Committee of the Company has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS
John W. Meisenbach, Chairman
Mark A. Emmert
Dan P. Kourkoumelis
Michael J. Malone
Robert R. Wright

SUMMARY COMPENSATION TABLE FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011

The table below summarizes the total compensation paid or earned by each of the Named Executive Officers for each of the fiscal years shown. The Company has entered into employment and indemnification agreements with all of the Named Executive Officers.

The Named Executive Officers were not entitled to receive payments which would be characterized as “Bonus” payments for the fiscal years shown. Amounts listed under “Non-Equity Incentive Plan Compensation” were determined based on percentages of the pool that were allocated to each Named Executive Officer by the Compensation Committee based on the factors described in the Compensation Discussion and Analysis contained herein.

Salary for the Named Executive Officers in 2011 accounted for approximately 2% and “Option Awards” and “Non-Equity Incentive Plan Compensation” accounted for approximately 97% of the total compensation of the Named Executive Officers. Benefits accounted for less than 1% of the total compensation of Named Executive Officers.

The following table sets out the type and amount of compensation paid to each Named Executive Officer for the years ended December 31:

Name and Position	Year	Salary	Option Awards(2)	Non-Equity Incentive Plan Compensation(3)	All Other Compensation(4)	Total
Peter J. Rose	2011	$110,000	—	$ 6,695,888	$ 1,500	$6,807,388
Chairman and Chief Executive	2010	$110,000	—	$ 6,443,691	$ 1,500	$6,555,191
Officer	2009	$110,000	—	$ 4,671,392	$ 1,500	$4,782,892
James L.K. Wang(1) President-Asia Pacific	2011	$100,000	—	$ 6,293,532	—	$6,393,532
	2010	$100,000	—	$ 5,857,902	—	$5,957,902
	2009	$100,000	—	$ 4,362,745	—	$4,462,745
R. Jordan Gates	2011	$100,000	—	$ 5,320,683	$ 1,500	$5,422,183
President and Chief Operating	2010	$100,000	—	$ 5,014,364	$ 1,500	$5,115,864
Officer	2009	$100,000	—	$ 3,521,033	$ 1,500	$3,622,533
Robert L. Villanueva President-The Americas	2011	$100,000	$115,088	$ 4,991,643	$ 1,500	$5,208,231
	2010	$100,000	—	$ 4,714,733	$ 1,500	$4,816,233
	2009	$100,000	$75,177	$ 3,310,635	$ 1,500	$3,487,312
Bradley S. Powell	2011	$100,000	$167,400	$ 3,102,539	$ 1,500	$3,371,439
Senior Vice President and Chief	2010	$100,000	$314,696	$ 2,670,493	$ 1,500	$3,086,689
Financial Officer	2009	$100,000	$150,354	$ 1,210,385	$ 1,500	$1,462,239

(1) Mr. Wang is a resident of Taiwan and a substantial portion of his base salary is paid in an estimated equivalent of New Taiwan Dollars. Any amount by which the currency fluctuations exceeded his $100,000 base salary is subtracted from his final payment due under the Non-Equity Incentive Compensation Plan.

(2) This column represents the aggregate grant date fair value of options granted in each of the years presented. All assumptions used to determine the grant date fair value of the option awards are included in Note 2 to the Company’s consolidated financial statements on Form 10-K as filed on February 28, 2012.

(3) The payments were made pursuant to the non-equity incentive compensation program, as described under the caption “Executive Compensation – Non-Equity Incentive Compensation Program.” The amounts listed were earned during the fiscal year.

(4) These amounts include the Company’s matching contributions of $.50 for each $1.00 of employee savings, up to a maximum annual Company contribution of $1,500 per qualified employee, under an employee savings plan intended to qualify under Section 401(k) of the Code.

GRANTS OF PLAN-BASED AWARDS TABLE

The following table sets forth certain information regarding awards granted during 2011 to the Named Executive Officers. For more information regarding each award, please see "Compensation Discussion and Analysis" in this Proxy Statement.

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(1) Threshold	Target	Maximum	All Other Option Awards: Number of Securities Underlying Options(2)	Exercise or Base Price of Option Awards(3)	Grant Date Fair Value of Option Awards(4)
Peter J. Rose	—	—	$6,695,888	—	—	—	—
James L.K. Wang	—	—	$6,293,532	—	—	—	—
R. Jordan Gates	—	—	$5,320,683	—	—	—	—
Robert L. Villanueva	05/04/11	—	$4,991,643	—	5,500	$52.80	$115,088
Bradley S. Powell	05/04/11	—	$3,102,539	—	8,000	$52.80	$167,400

(1) The total amount available to officers participating in the non-equity incentive compensation program, including all Named Executive Officers, is limited to 10% of pre-bonus operating income. Individual amounts earned under this plan are determined by participation percentages approved by the Compensation Committee. The Company does not use thresholds or targets or maximums in determining levels of compensation.

(2) The above grants were made pursuant to the Company's 2011 Stock Option Plan ("Option Plan"). All options granted in fiscal 2011 are subject to a vesting schedule. Subject to earlier vesting under certain conditions set forth in the Option Plan, 50% of the options will be exercisable commencing three years from the date of the grant and an additional 25% will be exercisable four and five years from the date of the grant, respectively. (See "Potential Payments upon Termination and Change in Control"). The options expire ten years from the date of the grant.

(3) The exercise price is the market closing price of the underlying security on the grant date.

(4) All assumptions used to determine the grant date fair value of the option awards are included in Note 2 to the Company's consolidated financial statements included on Form 10-K as filed on February 28, 2012.

OPTION EXERCISES AND YEAR-END OPTION VALUE TABLES

The following tables set forth certain information regarding options held by the Named Executive Officers.

Options exercised during the year ended December 31, 2011:

Name	Option Exercises Number of Shares Acquired on Exercise	Value Realized on Exercise(1)
Peter J. Rose	—	$—
James L.K. Wang	280,000	$9,425,000
R. Jordan Gates	—	$—
Robert L. Villanueva	—	$—
Bradley S. Powell	—	$—

(1) Represents the difference between the market price of the Company's Common Stock at exercise and the exercise price of the options, multiplied by the number of options exercised.

Outstanding option awards at December 31, 2011:

	Option Awards					
		Number of Securities Underlying Unexercised Options				
Name	Year of Grant	Exercisable	Unexercisable(1)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options	Exercise or Base Price	Expiration Date
Peter J. Rose	2008	2,500	2,500	—	$46.94	5/7/2018
	2005	11,822	—	—	$24.45	5/4/2015
	2003	44,536	—	—	$18.30	5/7/2013
James L.K. Wang	2008	2,500	2,500	—	$46.94	5/7/2018
	2005	20,000	—	—	$24.45	5/4/2015
	2003	50,000	—	—	$18.30	5/7/2013
R. Jordan Gates	2008	2,500	2,500	—	$46.94	5/7/2018
	2007	3,750	1,250	—	$42.90	5/2/2017
	2005	20,000	—	—	$24.45	5/4/2015
	2003	50,000	—	—	$18.30	5/7/2013
	2002	80,000	—	—	$14.29	5/8/2012