EXPEDITORS INTERNATIONAL OF WASHINGTON INC
Form DEF 14A
March 21, 2014

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.

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2) Form, Schedule or Registration Statement No.:

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4) Date Filed:

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
Wednesday, May 7, 2014

2:00 p.m., Pacific Time

Expeditors Corporate Headquarters, 1015 Third Avenue, Seattle, Washington 98104
The Annual Meeting of Shareholders of Expeditors International of Washington, Inc. ("Expeditors" or the “Company”) will be held for the following purposes:

1. To elect eleven (11) directors, each to serve until the next annual meeting of shareholders (page 9);
2. To approve, on a non-binding basis, the compensation of the Company’s Named Executive Officers (page 31);
3. To approve the adoption of the 2014 Stock Option Plan (page 34);
4. To approve the amendment to the 2002 Employee Stock Purchase Plan (page 38);
5. To approve the adoption of the 2014 Directors' Restricted Stock Plan (page 40);
6. To ratify the appointment of KPMG LLP as the Company’s independent registered public accounting firm for the year ending December 31, 2014 (page 43); and
7. To transact such other business as may properly come before the meeting.

Shareholders of record at the close of business on March 6, 2014 will be entitled to notice of and to vote at the meeting and any adjournment thereof.

March 21, 2014
Seattle, Washington

By Order of the Board of Directors

Peter J. Rose	Amy J. Scheer
Chairman of the Board	Secretary

PROXY SUMMARY

This summary is intended to highlight information that is contained elsewhere in the proxy statement. It is not intended to provide all the information you should consider as you determine how you will vote on issues placed before the shareholders. You should carefully read the proposals as contained within the body of the proxy itself as you contemplate your vote.

Expeditors International of Washington, Inc. 2014 Annual Meeting of Shareholders

WHEN:	May 7, 2014 2:00 p.m. Pacific Time	WHERE:	Expeditors International of Washington, Inc. Corporate Headquarters 1015 Third Avenue Seattle, Washington 98104

Voting: Shareholders of record date, March 6, 2014, are entitled to vote. Each share of common stock is entitled to one vote for each of the 11 director nominees and one vote on each other proposal.

HOW TO VOTE:

Each shareholder vote is important. Please submit your vote and proxy by Internet or telephone or sign, date and return your proxy by mail.

Meeting Agenda Items and Board Recommendations

Proposal	Board Recommendation
Election of 11 Directors (page 9)	FOR each Director Nominee
Executive Compensation - advisory non-binding vote on compensation of the Named Executive Officers. (page 31)	FOR
Approve 2014 Stock Option Plan - vote to approve 2,750,000 shares for a broad-based equity compensation program. (page 34)	FOR
Approve Amendment to 2002 Employee Stock Purchase Plan - vote to approve amendment to add 3,000,000 shares to the 2002 Employee Stock Purchase Plan. (page 38)	FOR
Approve 2014 Directors' Restricted Stock Plan - vote to approve 250,000 shares to the Directors' Restricted Stock Plan. (page 40)	FOR
Ratification of Auditors - ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm for the year ending December 31, 2014. (page 43)	FOR
To transact such other business as may properly come before the meeting	-

BOARD NOMINEES

Name	Age	Director Since	Principal Occupation	Indep-endent	Committees AC	CC	NCGC	Other Public Company Boards
Peter J. Rose	70	1981	Chairman of the Board, Former CEO, Expeditors International of Washington, Inc.					—
Robert R. Wright	54	2008	CEO, Matthew G. Norton Company	ID, L	C, F	ID		—
Mark A. Emmert(1)	61	2008	President, National Collegiate Athletic Association	ID	ID		ID	2
R. Jordan Gates	58	2000	President and COO, Expeditors International of Washington, Inc.					—
Dan P. Kourkoumelis	62	1993	Former President and CEO, Quality Food Centers, Inc.	ID			C	—
Michael J. Malone(2)	69	1998	Principal, Hunters Capital	ID		ID		1
John W. Meisenbach(3)	77	1991	Chairman, MCM Financial	ID		C		1
Jeffrey S. Musser	48	2014	President and CEO, Expeditors International of Washington, Inc.					—
Liane J. Pelletier(4)	56	2013	Former Chairman, President and CEO, Alaska Communications Systems	ID	ID		ID	2
James L.K. Wang	65	1988	President-Asia Pacific, Expeditors International of Washington, Inc.					—
Tay Yoshitani	67	2012	CEO, Port of Seattle	ID			ID	—
			2013 Meetings		4	5	2	

AC	Audit Committee	C	Chair
CC	Compensation Committee	F	Financial Expert
NCGC	Nominating and Corporate Governance Committee	L	Lead Director
		ID	Independent Director

(1) Dr. Emmert serves on the Boards of Weyerhauser Company and of Omnicare, Inc.
(2) Mr. Malone serves on the Board of Homestreet Bank.
(3) Mr. Meisenbach serves on the Board of Costco Wholesale Corporation.
(4) Ms. Pelletier serves on the Boards of Atlantic Tele-Network and of Washington Federal.

Attendance: During 2013 the Board held eight meetings. Each of the Company's current directors attended at least 75% of the meetings of the Board and Committees on which the member served.

Director Elections: Each director is elected annually by a majority of votes cast.

2013 COMPENSATION HIGHLIGHTS

Throughout this Proxy Summary and the Company's Proxy Statement, the individuals who served as the Company's Chief Executive Officer, President-Asia Pacific, President and Chief Operating Officer, President-The Americas and Senior Vice President and Chief Financial Officer during fiscal 2013, are referred to as the Named Executive Officers ("NEO"). The term Executive Officer refers to individuals who are NEO and senior management who participate in the equity and non-equity components of the Company's executive compensation program ("Compensation Program").

In 2013, gross revenues increased 1%, while net revenue and operating income increased 3% and 4%, respectively. Net earnings were up 5% while earnings per share was up 7% in 2013 as compared to 2012. The Company's 2008 Executive Incentive Compensation Plan ("Executive Incentive Compensation Plan") ties increases in executive compensation to increases in operating income. Average Named Executive Officer ("NEO") compensation in 2013, excluding Mr. Rose's retirement bonus, increased 1%. The increase was less than the increase in operating income because the former CEO and other NEO percentages of the Executive Incentive Compensation Plan bonus pool ("Bonus Pool") were reduced as more participants were added to the Bonus Pool.

The Compensation Committee believes that the negligible compensation increases in CEO and other NEO compensation, significantly below the 4% operating income growth achieved by the Company in 2013, are consistent with and representative of the design and purpose of the Executive Incentive Compensation Plan. The Compensation Committee also believes that the relatively modest base salaries paid to the CEO and other NEO, with the remainder of their compensation linked to maintaining and increasing operating income, focuses attention on customer retention while at the same time providing growth incentives by directly rewarding operating income growth, the predominant driver of increases in corporate profitability. The Compensation Committee believes the combination of this focus contributes to both the stability and quality of earnings.

Total compensation, as disclosed in the summary compensation table and calculated under SEC rules, includes items that are impacted by timing differences between when salary expense is accrued in the Company's financial statements in accordance with U.S. generally accepted accounting principles, and when the cash payments are actually received by the CEO and other NEO and accounted for as income by the recipient in accordance with Internal Revenue Service (IRS) reporting requirements. To supplement the Company's disclosure, it has added the "W-2 Realized Compensation" column to the right of the table below to compare NEO 2013 compensation as recorded under SEC rules with corresponding W-2 income for 2013.

Name and Position	Salary	Bonus	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	All Other Compensation	SEC Total	W-2 Realized Compensation(3)
Peter J. Rose(1) Chairman and Chief Executive Officer	$110,000	—	—	$60,800	$5,368,337	$8,002,123	$13,541,260	$ 5,689,249
James L.K. Wang(2) President-Asia Pacific	$100,000	—	—	$60,800	$5,076,579	$—	$5,237,379	N/A
R. Jordan Gates President and Chief Operating Officer	$100,000	—	—	$60,800	$4,201,306	$1,500	$4,363,606	$ 4,297,665
Robert L. Villanueva President-The Americas	$100,000	—	—	$60,800	$3,909,549	$1,500	$4,071,849	$ 4,000,244
Bradley S. Powell Senior Vice President and Chief Financial Officer	$100,000	—	—	$60,800	$2,706,051	$1,500	$2,868,351	$ 2,780,655

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(1) Mr. Rose retired as CEO effective March 1, 2014. The "All Other Compensation" column, includes the accrual of $7,955,000 for Mr. Rose's retirement bonus which will be paid out in 2014 and 2015. Mr. Rose will receive a retirement bonus equal to the amount he would have received under the Executive Incentive Compensation Plan for 2014 and the first five months of 2015, assuming that Mr. Rose received the same percentage of the Bonus Pool under the Executive Incentive Compensation Plan that was used to calculate his incentive compensation for the quarter ended June 30, 2013. As allowed by the Executive Incentive Compensation Plan, the Compensation Committee will not reallocate Mr. Rose's current percentage of the available Bonus Pool to other Executive Officers or key employees until actual payments made to Mr. Rose under the Succession Agreement are complete and the amount equal to the total retirement bonus paid has been recouped. In short, Mr. Rose's retirement bonus will be funded by reducing the amounts otherwise available to Executive Officers or other key employees under the Executive Incentive Compensation Plan until paid in full and as a result there will be no cumulative impact on net earnings available to shareholders or on cash flow. The amount in the "All Other Compensation" column also includes $45,623 for legal and tax advice related to finalizing Mr. Rose's Succession Agreement.

(2) Mr. Wang is a resident of Taiwan and is not a US taxpayer, and accordingly, does not receive a W-2.

(3) Payments to Executive Officers and other key employees under the Executive Incentive Compensation Plan are paid out quarterly after filing the Form 10-Q with the SEC. Amounts of Executive Incentive Compensation Plan bonuses accrued in the fourth quarter for SEC reporting purposes, are not paid out until after March 1st of the following year, when the Form 10-K has been filed. This creates a timing difference between when amounts are accrued and recorded in accordance with SEC reporting requirements and when they are paid and accounted as income in accordance with IRS rules. This means that amounts shown in the "W-2 Realized Compensation" column contain the compensation earned in the fourth quarter of 2012 and the first three quarters of 2013, but actually paid to the recipient in 2013.

EXECUTIVE COMPENSATION PROGRAM HIGHLIGHTS

- ü Pay for performance. Over 95% of compensation for CEO and other NEO is derived from non-equity incentive compensation program that is directly connected to actual operating income results, by far the vast component of Company performance.
- ü Linkage between performance measures and strategic objectives. Performance measures for non-equity incentive compensation program are linked to both strategic, near-term and long-term operating objectives designed to create long-term stockholder value.
- ü No tax gross ups. The Company does not provide tax gross ups for compensation related to equity or non-equity compensation plans.
- ü No repricing or exchange of underwater stock options. The Company's equity compensation program does not permit repricing or allow for exchange of underwater stock options.
- ü Insider trading policy that prohibits hedging of securities.
- ü Executive stock ownership guidelines. Designed to increase Executives' equity stake in the Company and to further align Executives interests more closely with those of shareholders.
- ü Annual vote on say-on-pay.
- ü Moderate change-in-control benefits. Change-in-control severance benefits are limited to realized gains on acceleration of unvested stock options; and, payment of one-half of total cash compensation received in the preceding 12 months only upon termination without cause; or, payment of one-half of base salary upon termination with cause with a non-compete agreement.
- ü "Prospective claw-back" of certain compensation in the event of restatement. Since the non-equity incentive compensation program is based on cumulative operating income, any operating losses that are incurred by the Company must be recovered from future operating profits before any amounts will be due to participating Executives.
- ü Independent oversight and disciplined methodology for allocation of the Bonus Pool. With respect to the Executive Incentive Compensation Plan, all amounts allocated to participating NEO, Executive Officers and other key employees, must be reviewed and approved by the Compensation Committee, all of whom are Independent Directors.

ELEMENTS		
CASH	Salary	Modest base salaries.
	Annual Incentive	Provides the potential for significant above-market compensation. Based on a percentage of a Bonus Pool (10% of pre-bonus operating income) intended to incentivize NEO, Executive Officers and other key employees, to retain and grow profitable business.
EQUITY	Stock Options	Broad-based employee stock option plan that vests 50% after three years and 25% each in years four and five and expire 10 years from date of grant.
	ESPP	The Company maintains a voluntary Employee Stock Purchase Plan which allows all employees to purchase up to $21,250 of Common Stock annually. In general, the Company has no pension plans other than those required by statute and available to all employees.
RETIREMENT	401(k) Plan	The Company provides an annual match of up $1,500.
OTHER	Perquisites	No significant or material perquisites.

EMPLOYEE STOCK OPTION PLAN

A broad-based equity compensation program has historically been an important component of Expeditors' overall compensation philosophy. The Company firmly believes that when used in a broad-based format, employee stock option grants provide a powerful means to align the interests of the Company's employees with those of its shareholders. The Company, in 2005, instituted what it considered to be a very "pro-shareholder" policy of seeking annual shareholder approval of proposed stock option grants. Consistent with prior years, in 2013, 97% of stock options granted were awarded to employees that were not Executive Officers. Management and the Board of Directors feel strongly that broad-based stock option grants need to be a continuing component of the Company's overall compensation program. At the annual meeting, the shareholders will be asked to approve the Company's 2014 Stock Option Plan which will make available 2,750,000 shares of the Company's authorized but unissued common stock for purchase upon exercise of options granted under this plan. One of the Company's primary purposes for extending stock options to its employees is that the Company provides very limited retirement benefits. The Company has always stressed to its employees the importance of utilizing stock options as a means for providing for significant life events such as retirement, medical and other emergencies, and to provide for higher education costs for dependents, to name a few. See Proposal 3, approval of the 2014 Stock Option Plan found on page 34 for further information.

2002 EMPLOYEE STOCK PURCHASE PLAN

At the 2014 annual meeting, the shareholders are asked to approve an amendment to the Company's 2002 Employee Stock Purchase Plan to increase, by 3,000,000 shares, the Company's common stock available for purchase under the 2002 Employee Stock Purchase Plan. Management and the Board of Directors believe that the 2002 plan has contributed to strengthening the incentive of participating employees to acquire a greater proprietary interest in the Company. As was noted above when addressing the need for the approval of the 2014 Employee Stock Option plan, the Company provides very minimal retirement benefits, instead electing to provide opportunities to its employees to invest in the Company's future by offering the potential to share a percentage of any increases in Company value. The 2002 Employee Stock Purchase Plan provides an excellent opportunity to do this without causing undue shareholder dilution. Please revert to Proposal 4 on page 38 for more information concerning the plan.

DIRECTOR COMPENSATION PROGRAM

Historically, the Board has used a combination of cash and stock-based incentive compensation to attract and retain qualified candidates to serve on the Board. In 2008, the shareholders approved the 2008 Directors' Restricted Stock Plan, which was only for the benefit of independent non-management directors ("Independent Directors") and terminated on June 1, 2013. Each Independent Director received $200,000 worth of Expeditors restricted stock on June 1st of each year beginning in 2008 through 2013. The Board is requesting shareholders approve the 2014 Directors' Restricted Stock Plan and 250,000 shares of stock to be authorized for issuances to Independent Directors. Under the 2014 Directors' Restricted Stock Plan, each Independent Director will receive $200,000 worth of Expeditors stock on May 20th of each year and such shares will vest immediately upon grant. Based on the current number of Independent Directors and history of shares issued under the 2008 Directors' Restricted Stock Plan, it is expected that 250,000 shares will be adequate for the five-year term of the 2014 Directors' Restricted Stock Plan. The 250,000 shares reserved for the 2014 Directors' Restricted Stock Plan, were subtracted from the 3,000,000 shares normally requested each year for employee stock options, so as to minimize any impacts of dilution to the shareholders. For more information regarding director compensation, see "Director Compensation" on page 12.

The Board has adopted a policy of stock ownership guidelines that require the Company's Independent Directors to accumulate a minimum of 15,000 shares of the Company's common stock over a six-year period from the date elected to the Board or policy adoption date.

GOVERNANCE HIGHLIGHTS

BOARD LEADERSHIP

Effective with Mr. Rose's retirement on March 1, 2014, and the appointment of Jeffrey S. Musser as CEO, the roles of Chairman and CEO were separated. If elected at the Annual Meeting, Mr. Rose will continue to serve as Chairman of the Board until May of 2015. Since Mr. Rose is not considered an independent Chairman, the Board will continue to maintain the position of Independent Lead Director established in 2010. The Independent Lead Director is selected by the Independent Directors to serve as a presiding director, with broad authority and responsibility over Board governance and operations. After Mr. Rose retires as Chairman in May of 2015, an Independent Board Chair will be selected by the independent directors. At that time, the Independent Lead Director position will no longer be necessary. See “Board Leadership Structure and Role in Risk Oversight" on page 5 for additional information.

DIRECTOR INDEPENDENCE

Currently 7 of the 11 director nominees are independent. All Committees are composed of Independent Directors.

MAJORITY VOTE STANDARD

The Company’s bylaws require that in an uncontested election each director will be elected by the vote of the majority of votes cast. See “Majority Vote Standard for Director Elections” on page 9 for more information.

INDEPENDENT DIRECTOR APPROVAL POLICY

The Board requires that any Board action be approved by a majority of Independent Directors. It is expected that the Board will return to a two-third majority vote in 2015, upon Mr. Rose’s retirement as Chairman of the Board.

BOARD RISK OVERSIGHT

The Board has oversight for risk management with a focus on the most significant risks facing the Company including strategic, operational, financial and legal and compliance risks. See “Board Leadership Structure and Role in Risk Oversight" on page 5 for additional information.

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PROXY STATEMENT

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 7, 2014, 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 6, 2014 (the “Record Date”) will be entitled to notice of and to vote at the meeting. On or about March 21, 2014, the Company will mail to shareholders either: (i) a copy of the 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.

You may instruct the proxies to vote ‘‘FOR’’ or ‘‘AGAINST’’ each proposal, or you may instruct the proxies to ‘‘ABSTAIN’’ from voting. Each share of our common stock outstanding on the record date will be entitled to one vote on each of the 11 director nominees and one vote on each other proposal. 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 in accordance with the Board's recommendations as follows:

Proposal	Board Recommendation	Rationale for Board Recommendation
Election of 11 Directors	FOR each Director Nominee	Talented slate of nominees bringing the full complement of director skills to serve the Company.
Executive Compensation - advisory non-binding vote on compensation of the Named Executive Officers.	FOR	Executive compensation is aligned with Company's performance.
Approve 2014 Stock Option Plan - vote to approve a broad-based equity compensation program which includes the authorization of 2,750,000 shares available for grant.	FOR	To continue to align the interests of the Company's employees with those of the shareholders.
Approve Amendment to 2002 Employee Stock Purchase Plan - vote to approve amendment to the Company’s 2002 Employee Stock Purchase Plan which includes the authorization of 3,000,000 shares available for issuance.	FOR	To reinforce the culture of ownership by continuing to allow and encourage all employees to own stock in the Company.
Approve 2014 Directors' Restricted Stock Plan - vote to approve Directors’ Restricted Stock Plan which includes authorization of 250,000 shares available for grant.	FOR	To continue to allow the Company to compensate its Independent Directors with Common Stock in the equivalent amount of $200,000 per year, per Director, upon election.
Ratification of Auditors - ratification of the appointment of KPMG LLP as the Company’s independent registered public accounting firm for 2014.	FOR	KPMG LLP is independent and knowledgeable of Company operations with global coverage.

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.

Whether or not you plan to attend the meeting in person, please 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.

Abstentions are counted for quorum purposes. If you return a signed proxy card/voting instruction form to allow your shares to be represented at the annual meeting, but do not indicate how your shares should be voted on one or more proposals listed above, then the proxies will vote your shares as the Board of Directors recommends on those proposals. Other than the proposals listed above, we do not know of any other matters to be presented at the meeting. If any other matters are properly presented at the meeting, the proxies may vote your shares in accordance with their best judgment.

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 of the 2014 Stock Option Plan, the approval of the amendment to the 2002 Employee Stock Purchase Plan and the approval of the 2014 Directors' Restricted Stock Plan. 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 201,065,104 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 eleven nominees for election to the Board of Directors who receive the majority of the votes cast by voters physically present 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 of the 2014 Stock Option Plan, the approval of the amendment to the 2002 Employee Stock Purchase Plan, the approval of the 2014 Directors' Restricted Stock Plan and the ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm, such proposals will be approved if the votes cast by voters physically 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 6, 2014, was $39.54 per share.

PRINCIPAL HOLDERS OF VOTING SECURITIES

The following table sets forth information, as of December 31, 2013, 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
The Vanguard Group, 100 Vanguard Boulevard, Malvern, PA 19355	15,366,543(1)	7.47 %
Fiduciary Management, Inc., 100 East Wisconsin Avenue, Suite 2200, Milwaukee, WI 53202	12,114,390(2)	5.89 %
BlackRock, Inc., 40 East 52nd Street, New York, NY 10022	11,623,227(3)	5.70 %

(1) The holding shown is as of December 31, 2013, according to Schedule 13G/A dated February 6, 2014 filed by The Vanguard Group, an investment adviser. The Vanguard Group reports that it has sole voting power with respect to 334,058 shares of common stock, sole dispositive power with respect to 15,053,685 shares of common stock and shared dispositive power of 312,858 shares of common stock.

(2) The holding shown is as of December 31, 2013, according to Schedule 13G dated February 14, 2014 filed by Fiduciary Management, Inc., an investment adviser.

(3) The holding shown is as of December 31, 2013, according to Schedule 13G/A dated January 17, 2014 filed by BlackRock, Inc., a parent holding company. BlackRock, Inc. reports that it has sole voting power with respect to 9,687,927 shares of common stock.

CORPORATE GOVERNANCE

The Board and Nominating Committee expect each non-management director to be free of interests or affiliations that could give rise to a biased approach to directorship responsibilities or a conflict of interest, and free of any significant relationship with the Company that would interfere with the director's exercise of independent judgment. The Board and Nominating Committee also expect each director to act in a manner consistent with a director's duties of loyalty and care. All nominees for election must comply with the applicable requirements of the Company's Bylaws, which can be found on the Securities and Exchange Commission website at www.sec.gov as Exhibit 3.2 to the Company's Form 8-K filed with the Securities and Exchange Commission on or about December 23, 2013. The Company's Executive Officers may not serve on boards of other corporations whose executive officers serve on the Company's Board.

Board of Directors

Key Responsibilities: Strategic oversight; corporate governance; stockholder advocacy; and leadership.
Meetings in 2013: 8
Directors: Peter J. Rose, Chairman; Board consists of 11 Directors, 7 of whom are Independent.
Independent Lead Director: Robert R. Wright
Board has designated that only Independent Directors can serve as Committee members.

Audit Committee

Key Responsibilities: 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:
the scope and findings of the annual audit and other procedures;
quarterly and annual financial statements; and
the internal controls employed by the Company.
Meetings in 2013: 4
Directors: Robert R. Wright, Chair and Financial Expert; Mark A. Emmert; and Liane J. Pelletier.
Committee Report: Please refer to page 12.

Compensation Committee

Key Responsibilities: Consultation with management in establishing the Company's policies on senior management compensation; overseeing the implementation of short and long term compensation programs for senior management; determining base salary, participation level in the Executive Incentive Compensation Plan and stock option grants to the CEO; 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; and reviewing and recommending to the Board of Directors on compensation of non-management directors.
Meetings in 2013: 5
Directors: John W. Meisenbach, Chair; Robert R. Wright; and Michael J. Malone.
Committee Report: Please refer to page 25.

Nominating and Corporate Governance Committee

Key Responsibilities: Identifying and recommending candidates to be nominated by the Board for election as directors and providing leadership role with respect to corporate governance of the Company.
Meetings in 2013: 2
Directors: Dan P. Kourkoumelis, Chair; Mark A. Emmert; Liane J. Pelletier; and Tay Yoshitani.

Key Corporate Governance Policies Include:

ü Annual election of all directors.

ü Majority vote standard in uncontested elections. Each director must be elected by a majority of votes cast, not a plurality.

ü No stockholder rights plan (“poison pill”).

ü Separate CEO and Chairman role.

ü The majority of the Board is comprised of Independent Directors.

ü Independent Lead Director.

ü Independent Board Committees. Each of the Audit, Compensation and Nominating and Governance Committees is made up of Independent Directors. Each standing Committee operates under a written charter that has been approved by the Board.

ü Independent Director approval requirements. Policy requires any Board action to be approved by a majority of the independent directors.

ü Independent Director authority. Each of the Audit, Compensation and Nominating and Corporate Governance Committees has the authority to retain independent advisors.

ü Robust Code of Business Conduct. The Company is committed to the highest standards of legal and ethical business conduct. This Code of Business Conduct summarizes the legal, ethical and regulatory standards that Expeditors must follow and is a reminder to the Company's directors, officers and employees of the seriousness of Expeditors' commitment to compliance. Compliance with this Code of Business Conduct and the highest standards of business conduct is mandatory for every Expeditors director, officer and employee. The Company’s Code of Business Conduct is available at www.expeditors.com.

ü Regular Board self-evaluation process. The Board and each committee evaluates its performance on an annual basis.

ü Stock ownership guidelines for executives and directors. Significant requirements strongly link the interests of the Board and management with those of stockholders.

Board Leadership Structure and Role in Risk Oversight

There are currently eleven members of the Board, four current and former management directors and seven independent non-management directors ("Independent 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 seven independent non-management directors. The four current and former management directors have been deliberately excluded from membership on any of the Board’s standing committees. The Independent Directors hold executive sessions at Board and Committee meetings, as needed, and at such other times as they deem appropriate.

The role of Chairman and Chief Executive Officer was combined when Mr. Rose was appointed to these roles in 1991 and separated effective upon Mr. Rose's retirement as Chief Executive Officer on March 1, 2014. Mr. Rose will remain as the Chairman, if elected, through to the next Annual Meeting in May 2015. For purposes of 2014, Mr. Rose will continue to be considered a non-independent Chairman. Mr. Rose was succeeded as Chief Executive Officer by Jeffrey S. Musser. Mr. Musser is the son-in-law to Mr. Rose and during the period Mr. Rose serves as non-independent Chairman, he will report independently and directly to the Board via the Lead Director.

Management is responsible for the assessment and management of risk and brings to the attention of the Board the 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. The Company believes that the active oversight role played by the Lead Director as well as its Board Committees, which consist solely of Independent Directors, provides the appropriate level of independent oversight for the Company.

Following the completion of Mr. Rose's service as the Chairman of the Board in 2015, the position of Chairman of the Board shall be filled by a director that is “independent” within the meaning of all applicable independence requirements of the NASDAQ Stock Market and the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and any rules and regulations promulgated thereunder. Following the appointment of an Independent Director to the position of Chairman of the Board, the position of Lead Director shall be suspended.

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 the Chief Executive Officer as to Board agenda items and meeting dates; (4) being a liaison between the Chairman and the Chief Executive Officer and the Independent Directors; and (5) any other duties as requested by the Board, which include but are not limited to: approving information sent to the Board; approving meeting agendas for the Board; approving meeting schedules to assure adequate time for discussion of all agenda items; calling meetings of Independent Directors; and, if requested by major shareholders, ensuring that he is available for consultation and direct communication.

Board and Committee Meetings

The Board of Directors held eight meetings during the year ended December 31, 2013.

The Board of Directors has determined that Messrs. Kourkoumelis, Malone, Meisenbach, Wright, Yoshitani, Ms. Pelletier and Dr. Emmert, are independent under the applicable independence standards set forth in the rules promulgated under the Exchange Act and the rules of the NASDAQ Stock Market.

In 2013, 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 they served. While the Company has no established policy requiring directors to attend the Annual Meeting, historically, and in 2013, all members, with the exception of Mr. Malone, serving at the time were in attendance.

No members of management serve on any of the committees of the Board of Directors. All committee members are Independent Directors.

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 Mr. Wright, Ms. Pelletier 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.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; (iv) approve or ratify any related person transaction; and (v) 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.

Compensation Committee

The Board of Directors has a Compensation Committee which consists of Messrs. Malone, Meisenbach and Wright. Mr. Meisenbach was elected Chairman on May 5, 2010. The Compensation Committee Charter can be found on the Company's website at www.expeditors.com.The function of the Compensation Committee includes (i) consultation with management in establishing the Company's general policies relating to senior management compensation; (ii) overseeing the implementation of short and long-term compensation programs for senior management; (iii) 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 (iv) reviewing and making recommendations to the Board of Directors periodically with respect to the compensation of all Independent 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.

Nominating and Corporate Governance Committee

The Board of Directors has a Nominating and Corporate Governance Committee, which consists of Messrs. Kourkoumelis and Yoshitani, Dr. Emmert and Ms. Pelletier. The Nominating and Corporate Governance Committee ("Nominating Committee") Charter, which can be found on the Company's website at www.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.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 nearly 14,000 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 the Company. The Company believes the current nominees for the Board of Directors have considerable diversity in business backgrounds and education, as well as cultural, gender and ethnic diversity. 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 the Board to benefit from potentially different perspectives arising from further gender, ethnic and cultural diversity. 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 annually reviews its nomination procedures to assess the effectiveness of the Policy on Director Nominations.

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 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 December 23, 2013. 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 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, 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.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.expeditors.com.

Compensation Committee Interlocks and Insider Participation

The members of the Compensation Committee during fiscal 2013 were: Messrs. Malone, Meisenbach and Wright for all of fiscal 2013; and Dr. Emmert and Mr. Yoshitani until May 1, 2013. 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.

PROPOSAL 1—ELECTION OF DIRECTORS

The Company's bylaws require a Board of Directors composed of not less than six nor more than eleven members. A Board of Directors consisting of eleven directors will be elected at the Annual Meeting to hold office until the next annual meeting of shareholders or until the election or qualification of his or her successor. 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 may fill any vacancy resulting from the non-election of a director as provided in the Company's bylaws. The Nominating 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 will act on the Nominating Committee's recommendation and within ninety (90) days after the 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 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

This year's nominees consist of seven independent directors, including the lead independent director, and four current and former management directors. 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 eleven 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 or the seat will remain open until the Board of Directors identifies a nominee.

All directors hold office until the next annual meeting of shareholders of the Company and the election and qualification of his or her successor or until the director's earlier death, resignation, removal or termination of term.

The following persons are nominated to serve as directors until the Company's 2015 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 retired as Chief Executive officer effective March 1, 2014. He will remain as Chairman of the Board if elected until the Annual Meeting of Shareholders in May of 2015. Mr. Rose's qualifications to serve on the 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 President and Chief Executive Officer.

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.

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. 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 the 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, and international affairs.

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, Senior Vice President-Chief Financial Officer and Treasurer in January 1998, Executive Vice President-Chief Financial Officer and Treasurer in May 2000 and President and Chief Operating Officer of the Company in January 2008, Mr. Gates was also elected as a director in May 2000. Mr. Gates' qualifications to serve on the 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.

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. Mr. Kourkoumelis' qualifications to serve on the Board of Directors include his over 20 years of senior leadership, financial and management experience in a public corporation environment 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 is a member of the Board of Directors of HomeStreet Bank. Mr. Malone's qualifications to serve on the 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 August of 2010, Mr. Meisenbach has been the Chairman of the Board for MCM, a financial services company. Prior to being Chairman, Mr. Meisenbach was the President of MCM from 1962 to December, 2008 and Chief Executive Officer from December 2008 to February 2013. 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 member of the Board of Directors of the American Foundation for Chess; a trustee of Seattle Children's Hospital Foundation, a child health care and pediatric center; and a trustee emeriti of Seattle University, a private university. 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 the 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.

Jeffrey S. Musser joined the Company in February 1983 and was promoted to District Manager in October 1989. Mr. Musser was elected to Regional Vice President in September 1999, Senior Vice President-Chief Information Officer in January 2005 and to Executive Vice President and Chief Information Officer in May 2009. Mr. Musser assumed the role as Director, President and Chief Executive Officer in March of 2014. Mr. Musser's qualifications to serve on the Board of Directors include his nearly 31 years of experience in the international transportation industry and his many years of corporate leadership responsibilities combined with his background in the information technology discipline. Mr. Musser is the son-in-law to Peter J. Rose, the Company's current Chairman of the Board.

Liane J. Pelletier became a Director of the Company in May 2013. Ms. Pelletier is the former Chairman, Chief Executive Officer and President of Alaska Communications Systems, an Alaska based integrated communication services provider, leading the firm from October 2003 to April 2011. From November 1986 to October 2003, Ms. Pelletier held a number of executive positions at Sprint Corporation (now known as Sprint Nextel Corporation), a United States based wireless communications company. Ms. Pelletier is a member of the Board of Directors of Washington Federal, Atlantic Tele-Network and Icicle Seafoods. Ms. Pelletier's qualifications to serve on the Board of Directors include her over 25 years of senior leadership and management experience in the telecommunications industry, including past and current positions as Chairman, Lead Independent Director, and member of Audit, Risk, Nominating and Compensation Committees; and her status as Board Leadership Fellow Credential of the National Association of Corporate Directors. Both her corporate career and her board service span firms where there is material focus on regulation, information technology and security, foreign operations and customer service.

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 the 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.

Tay Yoshitani became a director of the Company in August of 2012. Since March of 2007 he has been the Chief Executive Officer of the Port of Seattle. From 2004 to 2007, he served as the Senior Advisor to the National Association of Waterfront Employers and from 2001 to 2004, was the Executive Director of the Port of Oakland. Prior to that he was the Executive Director for the Port of Baltimore. He is currently the Chairman of the Board of the American Association of Port Authorities. Mr. Yoshitani is a graduate of United States Military Academy, served five years, which included service in Vietnam with the Corps of Engineers, in the US Army and retired with the rank of Captain. He also has an MBA from Harvard Business School. He currently serves on the Boards of the Eno Center for Transportation, the Seattle Foundation and on the boards of a number of other local Seattle civic and trade-related organizations. Mr. Yoshitani's qualifications to serve on the Board of Directors include his over 20 years of senior leadership and management experience in the ocean transportation industry and over 10 years in airport operations.

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

AUDIT COMMITTEE REPORT

The Audit Committee 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") and can be found on the Company's website at www.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) ("PCAOB") 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, 2013. The Audit Committee has discussed with KPMG LLP ("KPMG"), the Company's independent registered public accounting firm for 2013, the matters required to be discussed by PCAOB Auditing Standard No. 16 (Communication with Audit Committees), as amended, as adopted by the PCAOB. In addition, the Audit Committee has received from KPMG the written disclosures and the letter required by the PCAOB 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, 2013.

AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

Robert R. Wright, Chairman

Mark A. Emmert

Liane J. Pelletier

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 and on June 1, 2013, the plan terminated. 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 2013, members of the Board who are not employees of the Company were entitled to receive an annual cash retainer of $30,000 and $1,000 per day for attending meetings and performing operational reviews. Mr. Wright was paid an additional retainer of $75,000 for his role as Lead Director. Annual cash retainers, or a pro-rata amount, are paid at the first Board meeting following election or appointment to the Board. Effective immediately after the 2014 Annual Meeting, the Lead Director retainer will be reduced to $50,000 and an annual retainer will be paid to the Chairs of the Audit, Compensation and Nominating and Corporate Governance Committees of $25,000, $10,000 and $10,000, respectively.

2008 Directors' Restricted Stock Plan

The 2008 Directors' Restricted Stock Plan was only for the benefit of the independent non-management directors. Each independent non-management director received $200,000 worth of the Company's restricted stock on June 1st of each year. The stock vested ratably over 12 months and dividends were forfeited until all shares for that grant year had been fully vested. On June 1, 2013, each Independent Director elected at the 2013 Annual Meeting of Shareholders received 5,124 shares with a fair value of $39.03 per share. The taxation ramifications for the issuance of these shares were the sole responsibility of each outside director. The 2008 Directors' Restricted Stock Plan terminated on June 1, 2013.

2014 Directors' Restricted Stock Plan

If approved by the shareholders, the 2014 Directors' Stock Grant Plan will be solely for the benefit of the Independent Directors. Each Independent Director receives $200,000 worth of the Company's stock on May 20th of each year. All shares are expected to be fully vested at time of grant. The taxation ramifications for the issuance of these shares are the sole responsibility of each Independent Director.

Stock Option Program

Prior to 2008, on June 1st of each year, each Independent 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 Stock Ownership Guidelines

On February 24, 2014, the Board adopted a policy regarding Director stock ownership guidelines. These stock ownership guidelines are applicable to the Company’s Independent Directors and are designed to increase Directors’ equity stakes in the Company. The guidelines require Independent Directors to accumulate a minimum of 15,000 shares of the Company’s common stock over a six-year period from the date elected to the Board or the policy adoption date. This policy excludes stock option grants from the ownership calculation. This policy is governed by the Compensation Committee.

Director Summary Compensation Table for the Fiscal Year Ended December 31, 2013

The table below summarizes the compensation paid by the Company to Independent Directors for the fiscal year ended December 31, 2013.

Name	Fees Earned or Paid in Cash	Stock Awards(1)	Option Awards	Non-Equity Incentive Plan Compensation	All Other Compensation	Total
Mark A. Emmert	$39,000	199,990	—	—	—	$238,990
Dan P. Kourkoumelis(2)	$38,000	199,990	—	—	—	$237,990
Michael J. Malone(2)	$38,000	199,990	—	—	—	$237,990
John W. Meisenbach(2)	$38,000	199,990	—	—	—	$237,990
Liane J. Pelletier	$39,000	199,990	—	—	—	$238,990
Robert R. Wright	$115,000	199,990	—	—	—	$314,990
Tay Yoshitani	$38,000	199,990	—	—	—	$237,990

(1) This column represents the aggregate grant date fair value of restricted shares granted in 2013. 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. Each Independent Director holds 2,135 unvested restricted shares.

(2) As of December 31, 2013 there were 128,000, 96,000 and 64,000 vested option awards held by Messrs. Kourkoumelis, Malone and Meisenbach, respectively.

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 6, 2014. 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:			