

EXPEDITORS INTERNATIONAL OF WASHINGTON INC
Form DEF 14A
March 27, 2019

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

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material 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)

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March 27, 2019

To Our Shareholders

As we enter our 40th year of operation, we look back on one of our best years in the history of the company. In 2018, we generated record gross and net revenues, operating income, net income, and earnings per share. We accomplished these results through the efforts of our highly trained employees, operating in more than 60 countries, bound together by our culture of customer service, regulatory compliance, continuous improvement, and a focus on profitable organic growth.

Over the past 40 years, we have not wavered from our commitment to the core of our business and our business model. We have, however, evolved over the years, with a great example being the strategic work taking place within our Company. In addition to clearly articulating the strategy for the core of our business, our strategy team also is committing time and resources to explore future opportunities. While our focus on the future is not new, we developed our strategy team out of recognition that the pace of global change requires a different approach.

We remain dedicated to sound operations and good governance. Based on conversations with our shareholders, we continue to appreciate how important it is that our executive compensation program measures up to the expectations of our shareholders. We believe in the value of our incentive program and what it brings to our Company as one of our key competitive strengths. While we think it is essential to protect the program's fundamental features, we recognize opportunities to improve it. One enhancement we are introducing in 2019 is the expanded use of long-term performance share units (PSU) to senior executive management, promoting further alignment with our shareholders.

Since 2013, we have lowered our average Director tenure to 5 years from 14 years, and we continue to refresh our Board by nominating Robert Carlile as a Director. We believe that Mr. Carlile's business and financial expertise will serve us well in the years to come and we ask you to confirm his nomination to the Board.

We offer heartfelt thanks to departing Board member and friend, Tay Yoshitani. Mr. Yoshitani offered unique industry insights from his years of professional service with various ports and associations. We will miss his valuable counsel.

We ask for your vote:

You are asked to vote FOR the Board's recommended director nominees and three proposals put forth by the Board, and to vote AGAINST one shareholder proposal that we believe is unnecessary and costly for shareholders.

We look to the next 40 years with confidence and commitment to our employees, customers, service providers, communities and our shareholders. On behalf of the entire Board of Directors and the more than 17,000 employees, we thank you for your continued support and your investment in our business.

Sincerely,

/s/ Robert R. Wright

Robert R. Wright
Chairman of the Board

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TUESDAY

May 7, 2019

@ 9:00 A.M. Pacific Time

Expeditors International

1015 Third Ave

Seattle, WA 98104

•Election of Directors

•Approve (advisory) Named Executive Officer Compensation

•Approve Amendment to Employee Stock Purchase Plan

•Ratification of Independent Registered Public Accounting Firm

•Vote on Shareholder Proposal No. 5, if presented at meeting

Record Date: Close of business on March 12, 2019

Important Notice of Internet Availability of Proxy Materials

This notice of Annual Meeting of Shareholders and related proxy materials are being distributed or made available to shareholders beginning on or about March 27, 2019. This includes instructions on how to access these materials (including our Proxy Statement and 2018 Annual Report to shareholders) online.

Please vote your shares

We encourage shareholders to vote promptly, as this will save the expense of additional proxy solicitation. You may vote in the following ways:

By Order of the Board of Directors,
Expeditors International of Washington, Inc.

/s/ Benjamin G. Clark

Benjamin G. Clark
Corporate Secretary
Seattle, Washington
March 27, 2019

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PROXY SUMMARY

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,” “Expeditors,” “we,” “us,” “our”) for use at the Annual Meeting of Shareholders (the “Annual Meeting”). This proxy summary is intended to provide a broad overview of the items that you will find elsewhere in this Proxy Statement. As this is only a summary, we encourage you to read the entire Proxy Statement for more information about these topics prior to voting.

Meeting Agenda & Voting Recommendations

Proposal	Board's Voting Recommendation	Page
No. 1: Election of Directors	ü FOR (each nominee)	pg. 5
No. 2: Advisory Vote to Approve Named Executive Officer Compensation	ü FOR	pg. 19
No. 3: Approve Amendment to Employee Stock Purchase Plan	ü FOR	pg. 34
No. 4: Ratification of Independent Registered Public Accounting Firm	ü FOR	pg. 37
No. 5: Shareholder Proposal: Political Disclosure Shareholder Resolution	X AGAINST	pg. 39

Record Results in 2018

In 2018, the Company generated record results for Revenue, Net Revenue, Operating Income, EPS, and cash returned to shareholders (dividends and share repurchases). At the same time, we continued to make substantial investments in people, processes, technology, and committed resources to strategic innovation to both complement and extend our core businesses.

2016-2018 Financial Performance

(Data in millions except earnings per share)

* Net Revenues are a non-GAAP measure calculated as revenues less directly related operating expenses attributable to the Company's principal services. Please see Management's Discussion and Analysis in our most recent Annual Report on Form 10-K for a reconciliation of Net Revenues to Revenues.

Responding to Shareholders: Increasing Shift to Long-Term Equity Compensation

We value our shareholders’ views on Named Executive Officer (NEO) compensation, and we continue to regularly engage with those representing more than half of the outstanding shares to understand their perspectives on our company, including our compensation programs. Shareholders supported our 2018 and 2017 advisory vote on NEO compensation by 96% and 94%, respectively, by voting FOR our proposals. In 2019, the Board is implementing further changes to compensation for senior executive management, including all NEO. Those changes include shifting cash compensation to long-term, performance-based equity for senior executive management by:

1. Reducing their allocation of the Executive Incentive Compensation Pool by 3% to invest in key personnel, effective January 1, 2019;
 - Further reducing their allocation of the Executive Incentive Compensation Pool by an amount equal to the target
2. value of performance share unit ("PSU") awards that will vest only if 3-year performance goals are achieved for Net Revenues and EPS, matching a similar program that shareholders supported for our CEO in 2017 and 2018; and
3. Substantially increasing the stock ownership requirement.

Substantive Changes to Compensation

The table below shows the proposed changes to compensation for 2019, as well as the changes we implemented in 2018 and 2017, demonstrating our responsiveness to shareholders, while also maintaining the competitive advantages of our foundational compensation programs.

	Reduced senior executive management's allocation of the executive incentive compensation pool by 3% to invest in key personnel	<ul style="list-style-type: none"> Aligns senior executives with focus on •strategic growth initiatives and funds those investments
New Changes adopted for 2019	Further reduced senior executive management's allocation of the executive incentive compensation pool by an amount equal to the target value of PSU awards	<ul style="list-style-type: none"> Will significantly increase NEO portion of •pay to equity, increasing alignment with shareholders Supports focus on long-term performance by •requiring 3-year performance goals to be met before any vesting occurs Aligns senior executive management with •shareholders through share ownership (provided PSU are earned) •Aligns with prevalent market practices
	Substantially increased stock holding requirement	<ul style="list-style-type: none"> •Increases alignment with long-term interests of shareholders
	Shifted a greater portion of CEO pay to equity and implemented a PSU program for the CEO	<ul style="list-style-type: none"> Increased the CEO's equity portion of pay to •36% in 2018 from 24% in 2016, in alignment with shareholders Supports focus on long-term performance by •requiring 3-year performance goals to be met before any vesting occurs Aligns CEO with shareholders through share •ownership (provided PSU are earned) •Aligns with prevalent market practices
	Reduced senior executive management's allocation of the Executive Incentive Compensation Pool by 6% to fully fund the Company's strategic growth initiatives	<ul style="list-style-type: none"> Aligns senior executives with focus on •strategic growth initiatives and funds those investments
Changes implemented in 2018 and 2017	Added a performance requirement to CEO's executive non-equity incentive compensation, requiring 5% year-over-year operating income growth to earn unreduced payout	<ul style="list-style-type: none"> Establishes performance expectation for continuous profit growth such that if •year-over-year operating income growth is less than 5%, the CEO receives a 5% reduction in his payout Establishes minimum level of operating •income performance
	Replaced stock options with RSU for all key employees	<ul style="list-style-type: none"> •Increases alignment with shareholders •Provides retention of key employees in competitive market for talent

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| Adopted a “hold until met” policy that requires executives to hold 75% of the net after-tax shares received upon vesting of PSU and RSU until their respective stock ownership guidelines are met | <ul style="list-style-type: none">•Increases alignment with shareholders•Aligns with emerging market practices and shareholder preferences |
| Adopted “double trigger” vesting upon a change-in-control for all new equity incentive awards | <ul style="list-style-type: none">•Aligns with emerging market practices and shareholder preferences |

Director Identification & Nomination Process

The Policy on Director Nominations, which can be found on the Company's website at <https://investor.expeditors.com>, describes the process by which Director nominees are selected by the Nominating and Corporate Governance Committee, and includes the criteria the Committee will consider in determining the qualifications of any candidate for Director. In reviewing candidates for the Board, the 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.

The Committee annually reviews its nomination procedures to assess the effectiveness of the Policy on Director Nominations. The Committee considers candidates for Director who are recommended by its members, by management, and by search firms retained by the Committee. In addition, per the Policy on Director Nominations, the Committee will also consider any candidate proposed by a shareholder satisfying certain notice provisions, and will take into account the size and duration of the recommending shareholder's ownership.

All candidates for Director who, after evaluation, are then recommended by the Committee and approved by the Board of Directors will be included in the Company's recommended slate of Director nominees in its Proxy Statement. In addition, any shareholder or group of up to 20 shareholders that has continuously beneficially owned at least 3% of the Company's Common Stock for at least three years, and who satisfies certain notice, information and consent provisions, may nominate up to 20% of the Directors standing for election and include such nominees on the Company's proxy statement pursuant to the Company's proxy access rights. Lastly, a shareholder may nominate a Director candidate for election outside of the Company's proxy statement if the shareholder complies with the notice, information and consent provisions of Article II of the Company's Bylaws, which can be found on our website at <https://investor.expeditors.com>.

Our Bylaws require any notice for Director nominees for shareholder consideration be submitted by certain deadlines, which are explained in detail under the heading "Deadlines for Shareholder Proposals for the 2020 Annual Meeting of Shareholders."

PROPOSAL NO. 1:
ELECTION OF DIRECTORS

The Company's Bylaws require a Board of Directors composed of not less than 6 nor more than 11 members. Expeditors' Directors are elected at each Annual Meeting to hold office until the next Annual Meeting 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 ten nominees are named below. Proxies cannot be voted for a greater number of persons than the number of nominees named in this proposal.

Nominees for Election

This year's nominees consist of eight independent Directors and two non-independent 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 10 nominees of the Board of Directors named below. Although the Board 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.

The following persons are nominated to serve as Directors until the Company's 2020 Annual Meeting of Shareholders:

ROBERT R. WRIGHT

Robert R. Wright became a Director in May 2008, served as Lead Director beginning May 2010 and was appointed Chairman of the Board in May 2014. 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 a Regional Managing Partner of Tax for Arthur Andersen. He currently serves on the Board of Directors for two privately held companies, Matthew G. Norton Co. and Stimson Lumber Company.

Specific Qualifications, Attributes, Skills & Experience

- Over 20 years of senior leadership and management in private industry and the public accounting environment.
- Expertise in tax, finance and real estate, succession planning and business operations.
- Member of audit, nominating and compensation committees of various company boards.

GLENN M. ALGER

Glenn M. Alger became a Director in May 2017. He is one of the founders of Expeditors and served in various management and senior executive positions over a 25-year period, culminating as President and Chief Operating Officer from September 1999 - May 2007. Prior roles included leading business and operational development in the Americas region and management and evolution of the Company's global products and services. Since his retirement from the Company in 2007, Mr. Alger has been principally engaged as an active investor and manager of his family trust and charitable activities. In 2015 and 2016, Mr. Alger provided consulting services to the Company. As a founder, former senior executive of the Company and a long-term shareholder, Mr. Alger brings a deep understanding of both Company operations specifically and the logistics industry generally.

Specific Qualifications, Attributes, Skills & Experience

- More than 30 years of entrepreneurial, business development, management and senior leadership in global logistics.
- Direct experience building a business from a startup to a global industry leader.
- Industry expertise in customer markets, strategy, competition, organization, technology and finance.
- Over 20 years of governance and oversight experience as a senior executive of a public company.

ROBERT P. CARLILE

Robert P. Carlile retired as a partner at KPMG LLP in 2016. In his 39-year career in public accounting at KPMG and Arthur Andersen, Mr. Carlile served as the lead audit partner on numerous public company engagements operating across different industries including technology, retail, transportation, bio-science, and manufacturing. He worked directly with boards of directors and audit committees of these companies on audits of financial statements and internal controls, registration statements and assistance with mergers, acquisitions and dispositions. In addition to his experience as a lead audit partner Mr. Carlile held a variety of operating leadership positions at KPMG and Arthur Andersen in the Pacific Northwest. In these roles he was responsible for establishing market strategy, fostering community relationships and accomplishing operating results. Mr. Carlile brings expertise to the board in the areas of auditing, accounting and financial reporting, internal controls and corporate governance. Since 2017, Mr. Carlile has served on the Board of Directors of publicly traded Microvision, where he is the Audit Committee Chair. Mr. Carlile also serves on the Board of Directors of the Virginia Mason Health System and Virginia Mason Medical Center and is Chairman of the Northwest Chapter of the National Association of Corporate Directors (NACD). He also is credentialed as a NACD Board Leadership Fellow.

Specific Qualifications, Attributes, Skills & Experience

• More than 30 years of senior leadership and management experience.

• Extensive audit and accounting experience.

• Served as Lead Audit Partner on many global publicly-traded companies.

• Experienced in corporate board governance and engages in continuous education on leading governance practices.

JAMES M. DuBOIS

James “Jim” DuBois became a Director in May 2016. He was Corporate Vice President and Chief Information Officer (“CIO”) at Microsoft Corporation. As CIO, he was responsible for the company’s global security, infrastructure, collaboration systems, and business applications. Mr. DuBois was appointed CIO in January 2014 after serving as interim CIO since May 2013. Mr. DuBois served in various other roles at Microsoft, mostly in IT, after joining the company in 1993. These roles include leading IT and product teams for application development, infrastructure and service management. He also served as Microsoft’s Chief Information Security Officer and spent several years working from Asia and then Europe, learning the Microsoft field business while running the respective regional IT teams. He has degrees in computer science and business (accounting). Since leaving Microsoft in September 2017, Mr. DuBois has authored a book on modern IT and currently speaks on this topic, and also serves on the technical advisory boards of several startups, private companies, and VC partnerships.

Specific Qualifications, Attributes, Skills & Experience

• Extensive information technology experience.

• Experience overseeing investments in technology to support business objectives.

• Expertise in cybersecurity.

• Experience leading global IT teams.

MARK A. EMMERT

Mark A. Emmert became a Director 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”), a \$5 billion per year organization with more than 30,000 employees, 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 a Life Member of the Council on Foreign Relations, a Fellow of the National Academy for Public Administration, and a former Fulbright Fellow. Dr. Emmert is currently on the Board of Directors of the Weyerhaeuser Company.

Specific Qualifications, Attributes, Skills & Experience

- 30 years of experience in executive leadership and administration of educational, healthcare and athletics enterprises.
- Expertise in public policy, governmental affairs, and personnel development programs.
- Expertise in the leadership and management of complex operations with rigid public oversight requirements.
- Expertise in international affairs.
- Extensive experience with governance of public and private organizations.

DIANE H. GULYAS

Diane H. Gulyas became a Director in November 2015. Ms. Gulyas worked for DuPont from 1978 until her retirement as President of their \$4 billion global Performance Polymers business in September of 2014. During her 36-year career at DuPont, Ms. Gulyas served also as Chief Marketing and Sales Officer, President of Electronic and Communication Technologies Platform, and President of the Advanced Fibers divisions. Ms. Gulyas’ qualifications to serve on the Company’s Board of Directors include over 35 years of senior leadership and global business expertise. Since 2006, Ms. Gulyas has served as a public company director and is currently on the Board of Directors of W.R. Grace & Company and Ingevity Corporation.

Specific Qualifications, Attributes, Skills & Experience

- More than 35 years of senior leadership and global business expertise.
- Substantial and varied management experience and strong skills in engineering, manufacturing (domestic and international), marketing and sales and distribution.
- Governance and oversight experience from service as a senior executive of a public company and prior service on a public company board.

RICHARD B. McCUNE

Richard B. McCune became a Director in August 2014. Prior to that, Mr. McCune was a Partner at KPMG LLP from 2002 to May 2009 and Partner at Arthur Andersen LLP from 1983 to 2002. Mr. McCune served on the Board of the Fred Hutch Cancer Research Center from 2009 to 2016, and currently serves on the Board of the Seattle Cancer Care Alliance.

Specific Qualifications, Attributes, Skills & Experience

- More than 30 years of senior leadership and management experience.
- Extensive audit and accounting experience.
- Served as Lead Audit Partner on many global, publicly-traded companies.
- International experience as KPMG’s U.S. Accounting Expert in Amsterdam from 2003 to 2006.

ALAIN MONIÉ

Alain Monié became a Director in May 2017. He has served as Chief Executive Officer of Ingram Micro Inc., a large technology products distributor, since January 2012. He rejoined the company as President and Chief Operating Officer in 2011, after a year as chief executive officer of APRIL Management Pte., a multinational industrial company based in Singapore. Prior to his role at APRIL Management Pte., Mr. Monié served as President and Chief Operating Officer of Ingram Micro from 2007 to 2010. He joined Ingram Micro in February 2003 as executive vice president, and served in that role and as president of Ingram Micro Asia-Pacific from January 2004 to August 2007. He spent more than two years as president of the Latin American Division of Honeywell International. He joined Honeywell through the corporation's merger with Allied Signal Inc., where he built a 17-year career on three continents, progressing from a regional sales manager to head of Asia-Pacific operations from October 1997 to December 1999. Mr. Monié was elected to the Board of Directors of Ingram Micro in November 2011 and to the Board of Directors of The AES Corporation in August 2017.

Specific Qualifications, Attributes, Skills & Experience

• Extensive operational and leadership experience at a large public company.

• Broad international experience.

• Expertise in business operations and strategy, succession planning, enterprise risk management, compensation, and sound corporate governance practices.

JEFFREY S. MUSSER

Jeffrey S. Musser became a Director in March 2014. He joined the Company in February 1983 and was promoted to District Manager in October 1989. Mr. Musser became 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 was appointed President and Chief Executive Officer in March 2014.

Specific Qualifications, Attributes, Skills & Experience

• Over 35 years of experience in the international transportation industry.

• Many years of corporate leadership responsibilities.

• Background in the information technology discipline.

LIANE J. PELLETIER

Liane J. Pelletier became a Director in May 2013. Ms. Pelletier is the former Chairwoman, Chief Executive Officer and President of Alaska Communications Systems, an Alaska-based telecommunications and information technology services provider, leading the firm from October 2003 to April 2011. Since April 2011, she has served on a number of public company boards. From November 1986 to October 2003, Ms. Pelletier held a number of executive positions at Sprint Corporation, a telecommunications company. Ms. Pelletier is a member of the Board of Directors of ATN International and of Frontdoor, Inc. She is also on the board of the Northwest Chapter of the National Association of Corporate Directors (NACD) and is credentialed as a NACD Board Leadership Fellow. In 2017, she earned a professional certificate in cybersecurity from Carnegie Mellon's Software Engineering Institute.

Specific Qualifications, Attributes, Skills & Experience

• Experience as a public company CEO and more than 25 years of senior leadership and management experience in the telecommunications industry.

• Past and current positions as chair, lead independent Director, and member of audit, risk, nominating and compensation committees of various company boards.

• Experienced in corporate board governance and engages in continuous education on information technology and security as well as leading governance practices.

• Corporate career and board service spans firms where there is material focus on regulation, information technology and security, foreign operations and customer service.

Summary of Director Experience, Qualifications, Attributes & Skills

Summary of Director Experience, Qualifications, Attributes & Skills	INDEPENDENT DIRECTORS								NON INDEPENDENT DIRECTORS	
	Wright	Carlile	DuBois	Emmert	Gulyas	McCune	Monié	Pelletier	Alger	Musser
Operations	1	1	1	1	1	1	1	1	1	1
Logistics Industry					1		1		1	1
International			1	1	1	1	1		1	1
Financial	1	1		1	1	1	1	1	1	1
Sales & Marketing					1		1	1	1	1
Information Technology			1					1		1
Leadership & Strategy	1	1	1	1	1	1	1	1	1	1
Governance/Business Conduct/Legal	1	1	1	1	1	1	1	1	1	1

Planned Committee Membership

Nominating & Corporate Governance			1	1	1				CHAIR	
Compensation		1		CHAIR	1			1		
Audit		1	1				CHAIR	1		

Additional Information

Age	59	63	55	66	62	73	68	61	62	53
Tenure	10	0	3	10	3	4	2	6	2	5
Other Public Company Boards	—	1	—	1	2	—	1	2	0	0

The Board of Directors unanimously recommends a vote FOR the election of each of the Director Nominees

ü The Board of Directors recommends a vote FOR the election of each of the Director Nominees.

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CORPORATE GOVERNANCE

Board Operations

The Board of Directors has policies and procedures to ensure effective operations and governance. Our corporate governance materials, including our Corporate Governance Principles, the Charters of each of the Board's Committees and our Code of Business Conduct, can be found on our website at

<https://investor.expeditors.com/corporate-governance/governance-documents>. In 2018, the Board was composed of eight independent Directors and two non-independent Directors. Mr. Wright serves as the independent Chair of the Board of Directors. The primary functions of Expeditors' Board of Directors include:

- Ensuring that the long-term interests of shareholders are being served;
- Assuring that Board discussions focus on forward-looking strategies, approving such strategies and monitoring related performance;
- Overseeing the conduct of our business and monitoring significant enterprise risks;
- Overseeing our processes for maintaining the integrity of our financial statements and other public disclosures, and compliance with laws and ethical conduct;
- Evaluating CEO and senior management performance and determining executive compensation;
 - Planning CEO succession and monitoring management's succession planning for other key executive officers;
- Establishing tone at the top, effective governance structure, including appropriate Board evaluation, composition and planning for Board succession; and
- Ensuring the Company's commitment to maintain proper sustainability/ESG standards.

The Board of Directors has determined that all current Directors except Messrs. Musser and Alger are independent under the applicable independence standards set forth in the rules promulgated under the Securities Exchange Act of 1934, as amended ("Exchange Act") and the rules of the NASDAQ Stock Market. The Board has designated that only independent Directors can serve as Committee members.

The Board currently has the following Committees: Nominating and Corporate Governance, Compensation, and Audit. Each Committee operates under a written charter, all of which are available on our website <https://investor.expeditors.com/corporate-governance/governance-documents>.

Board Practices & Procedures

The Board's Committees analyze and review the Company's activities in key areas such as financial reporting, internal controls over financial reporting, compliance with Company policies, corporate governance, significant risks, succession planning and executive compensation.

The Board and its Committee Chairs review the agendas and matters to be considered in advance of each meeting.

Each Board and Committee member is free to raise matters that are not on the agenda at any meeting and to suggest items for inclusion on future agendas.

Each Director is provided in advance with materials to be considered at every meeting of the Board and Committees and has the opportunity to provide comments and suggestions.

The Board and its Committees provide feedback to management and management answers questions raised by the Directors during Board and Committee meetings.

Independent Board and Committee members meet separately at each Board and Committee meeting and as otherwise needed.

Independent Directors regularly hold executive sessions without management.

Board Attendance

The Board met five times in 2018 and all Directors attended at least 75% of the total number of Board of Directors meetings and Committee meetings on which they served. While the Company has no established policy requiring Directors to attend the Annual Meeting, all members attended the 2018 Annual Meeting.

Director Retirement Policy

In 2015, the Board established a guideline, whereby an individual Director typically will not be nominated to stand for election to the Board of Directors at the next Annual Meeting if the Director has reached an age of 72 years, absent a waiver of such guideline by the Board. Given the ongoing changes to the Company's financial reporting systems and changes in U.S. tax laws, lease and revenue recognition reporting requirements, the Board has waived this guideline and asked Richard B. McCune, 73, to stand for election for an additional year of service on the Board and the Audit Committee as Chair.

After six years of service, Tay Yoshitani, 72, will not stand for re-election to the Board of Directors in May 2019.

Board's Role in Risk Oversight

Senior executive management is responsible for the assessment and day-to-day management of risk and brings to the attention of the Board the material risks to the Company. The Board provides oversight and guidance to management regarding material enterprise risks. Oversight responsibilities for certain areas of risk are assigned to the Board's three standing Committees and others are assigned to the full Board. The Board and its Committees regularly discuss with management the Company's strategies, operations, compliance, policies and inherent associated risks in order to assess appropriate levels of risk taking and steps taken to monitor, mitigate and control such exposures. The Board believes the Company's risk management processes are appropriate and that the active oversight role played by the Board and its Committees provides the right level of oversight for the Company.

Section 16(A) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires that the Company's Directors, certain of its officers, and persons who own more than 10% of a registered class of the Company's equity securities, file reports of ownership on Form 3 and changes of ownership on Form 4 or 5 with the SEC and NASDAQ. Officers, Directors and greater than 10% shareholders are required by the SEC regulation to furnish the Company with copies of all such forms they file. Based solely on its review of the copies of such forms received by the Company, and on written representations by the Company's officers and Directors regarding their compliance with the filing requirements, the Company believes that all reports required from certain of its officers, Directors and greater than 10% beneficial owners were filed on a timely basis during 2018.

SEC Filings & Reports

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to those reports, are available free of charge on our website at <https://investor.expeditors.com> under the heading "Investor Relations" (see "SEC Filings") immediately after they are filed with or furnished to the SEC.

Director Compensation Program

The Board uses a combination of cash and stock-based compensation to attract and retain qualified candidates to serve on the Board. In setting Director compensation, the Compensation Committee considers the amount of time that Directors expend in fulfilling their duties as well as the skill level required as members of the Board and its Committees.

In 2014, the shareholders approved the 2014 Directors' Restricted Stock Plan, which expires in June 2019 and authorized 250,000 shares of stock for issuance to eligible Directors. Under this Plan, each eligible Director annually receives \$200,000 worth of Expeditors restricted stock and such shares vest immediately upon grant. As of December 31, 2018, there are 81,320 shares remaining for issuance under this plan. Beginning in 2020, the Company expects to issue Expeditors restricted stock to Directors from the 2017 Omnibus Incentive Plan.

Board of Directors' Annual Compensation & Stock Ownership Requirements — Effective in 2019

Board Retainer \$90,000 in cash.

An additional \$175,000 retainer for the Chair of the Board.

An additional \$25,000 retainer for the Chair of the Audit Committee.

Chair Retainers

An additional \$20,000 retainer for the Chair of each of the Compensation Committee and the Nominating and Corporate Governance Committee.

Stock Ownership Policy Each Director is required to retain a minimum of 5x the cash Board retainer in Expeditors' Common Stock, which is to be accumulated within the first 5 years of a Director joining the Board.

Director Compensation Table

The table below summarizes the compensation paid by the Company to non-employee Directors for the fiscal year ended December 31, 2018:

Name	Fees Earned or Paid in Cash	Stock Awards ⁽¹⁾	Option Awards	Non-Equity Incentive Plan Compensation	All Other Compensation	Total
Robert R. Wright						