

# Governance Principles

The following principles have been approved by the board of directors and, along with the charters and key practices of the board committees, provide the framework for the governance of Expeditors International of Washington, Inc. (Expeditors). The board recognizes that there is an ongoing and energetic debate about corporate governance, and it will review these principles and other aspects of Expeditors governance annually, or more often, if deemed necessary.

## 1. Role of Board and Management

Expeditors' business is conducted by its employees, managers and officers, under the direction of the chief executive officer (CEO) and the oversight of the board. The board of directors, elected by the shareholders, works to assure that the long-term interests of the shareholders are being served. Both the board of directors and management recognize that the long-term interests of shareholders are advanced by responsibly addressing the concerns of all stakeholders, including employees, customers, service providers, government entities and the public at large.

## 2. Functions of Board

The board of directors has four regularly scheduled meetings a year at which it reviews the performance of the Company, its plans and prospects, as well as immediate issues facing the Company. In addition to its general oversight of management, the board is responsible for:

- a. Selecting and evaluating the CEO;
- b. Overseeing CEO succession planning;
- c. Reviewing, approving and monitoring fundamental financial and business strategies, budgets, and major corporate actions;
- d. Assessing major risks facing the Company and reviewing plans for their mitigation; and
- e. Establishing tone at the top and ensuring processes are in place for maintaining the integrity of the Company in all of its actions

## 3. Qualifications

Directors should possess the highest personal and professional ethics, integrity and values, and be committed to representing the long-term interests of the shareholders. They must also have an inquisitive and objective perspective, practical wisdom and mature judgment. We endeavor to have a board representing a range of experience at policy-making levels that are consistent with our values and strategies, and that are relevant to the Company's global activities. Directors must be willing to devote sufficient time to carrying out their duties and responsibilities effectively, and should be committed to serve on the board for an extended period of time.

The board does not believe that arbitrary term limits on directors' service are appropriate, nor does it believe that directors should expect to be re-nominated annually. The board believes that outstanding performance as a member should be the basis for continued service. The board's

exercise of mapping the needs to individuals and its self-evaluation process will be important determinants for board composition and tenure.

The board has adopted a guideline for director retirement that provides beginning in 2016 an individual director would not be nominated to stand for election to the board of directors at the next annual meeting of shareholders if the director has reached the age of 72 years old. In rare cases, the board may waive this guideline on a case-by-case basis.

## **4. Independence of Directors and Committee Members**

At least two-thirds of the directors will be independent directors, as determined by the board, based on the guidelines set forth in the NASDAQ listing requirements. All members of the committees will be independent, guided by Securities and Exchange Commission rules for the audit committee and NASDAQ rules for the compensation and nominating and corporate governance committee members.

## **5. Board Size and Selection Process**

The directors are elected each year by the shareholders at the annual meeting. Shareholders may propose nominees for consideration by the nominating and corporate governance committee by submitting the names and supporting information to Expeditors' Corporate Secretary in accordance with the bylaws and policies. The nominating and corporate governance committee recommends, and the board proposes, the slate of nominees to the shareholders for election to the board. The board also determines the size of the board consistent with the bylaws. Between annual shareholder meetings, the board may elect directors to serve until the next annual meeting.

## **6. Board Committees**

The board has established three committees to assist the board in discharging its responsibilities: (i) audit; (ii) compensation; and (iii) nominating and corporate governance. Each committee has established a charter that is published on the Expeditors' website. The committee chairs report the highlights of their meetings to the full board following each meeting of the respective committees.

## **7. Meetings of Independent Directors**

The board will have at least four regularly scheduled meetings of independent only directors, with the chair of the board presiding over such meetings. Committees will also hold regularly scheduled independent director only meetings.

## **8. Board Leadership**

The Chair of the Board shall be an independent director and shall be elected by the independent directors. The Chair leads meetings of the board, calls additional meetings of the independent directors or the entire board as deemed appropriate, serves as a liaison on board-related issues between the CEO and the independent directors, and performs such other functions as the board may direct.

## **9. Board Evaluation**

The board is committed to annual evaluations of the board and the board committees in order to continuously improve board effectiveness.

## **10. Board Agenda**

The board shall be responsible for setting its agenda and organizing its time allocation to address its key functions. A parallel activity occurs within each board committee. Directors are urged to suggest additional agenda items, or additional pre-meeting materials to the Chair, committee chairs or management at any time.

## **11. Code of Business Conduct**

The board expects Expeditors' directors, as well as officers and employees, to act ethically at all times and to acknowledge their adherence to the policies comprising Expeditors Code of Business Conduct. The nominating and corporate governance committee will:

- annually review the Code of Business Conduct and make recommendations to management to assure that the Code is aligned with current circumstances and responsibilities,
- oversee the annual director certification program, and
- periodically review the education and training programs by which the Code and related information on ethics and responsibility are transmitted to employees and business partners.

## **12. Board's Interaction with Outside Parties**

If public comment from the board is appropriate, these comments should, in most circumstances, come from the Chair, or the CEO. If an outside stakeholder contacts a board member, the board member must refer the inquiry to the Expeditors CEO or Chair, who will inform the board, and the board shall plan for an appropriate response, if any.

## **13. Compensation of the Board**

The compensation committee each year shall have the responsibility to recommend the compensation for independent directors. The committee shall be guided by the following factors:  
(i) compensation should be commensurate with skills, experience and work required for a

company of Expeditors' size and scope; (ii) compensation should align directors' interests with the long-term interests of shareholders; and, (iii) the compensation structure should be simple, transparent and easy for shareholders to understand.

## **14. Succession Planning**

The board views board director, CEO and key management selection succession as one of its most important responsibilities. The board shall develop and maintain a succession plan for directors, the CEO and will also regularly review CEO developmental plans for succession of key senior executives. The board will also maintain an emergency succession plan for the CEO that is reviewed periodically.

## **15. Access to Independent Advisors**

The board shall have the right at any time to retain independent advisors, and the Company shall provide appropriate funding, as determined by the board, to compensate such independent outside advisors, as well as to cover the ordinary administrative expenses incurred by the board in carrying out their duties.

## **16. Director Education**

New directors will participate in an orientation program provided by, at a minimum, the general counsel and the chief financial officer. It is expected that each director will continuously advance his/her knowledge of the Company, public company corporate governance issues, and other relevant drivers of the Company's performance.

## **17. Stock Ownership Requirements**

The board will comply with a stock ownership requirement in order to align interests with shareholders.