

Risk Factors Comparison 2025-02-21 to 2024-02-23 Form: 10-K

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In addition to the other information set forth in this report, you should carefully consider the following factors, which could materially affect our business, financial condition or results of operations in future periods. The risks described below are not the only risks facing our Company. Additional risks not currently known to us or that we currently deem to be immaterial **may** also ~~may~~ materially adversely affect our business, financial condition or results of operations in future periods. Industry Risks Any reduction in international commerce or disruption in global trade may adversely impact our business and operating results. Expeditors primarily provides services to customers engaged in international commerce. Everything that affects international trade has the potential to expand or contract our primary markets and adversely impact our operating results. For example, international trade is influenced by: • currency exchange rates and currency control regulations; • interest rate fluctuations; • changes and uncertainties in governmental policies and inter- governmental disputes, which could result in increased tariff rates, quota restrictions, trade barriers and other types of restrictions; • changes in and application of international and domestic customs, trade and security regulations; • wars, strikes, civil unrest, acts of terrorism, and other conflicts; • changes in labor and other costs, including the impacts of inflation; • increased global concerns regarding working conditions and environmental sustainability; • changes in consumer attitudes regarding goods made in countries other than their own; • changes in availability of credit; and • changes in the price and readily available quantities of oil and other petroleum- related products. Our industry is highly competitive, and failure to compete or respond to customer requirements could damage our business and results of operations. The global logistics services industry is intensely competitive and is expected to remain so for the foreseeable future. There are a large number of companies competing in one or more segments of the industry, but the number of firms with a global network that offer a full complement of logistics services is more limited. Nevertheless, many of these competitors have significantly more resources than Expeditors and may pursue acquisition opportunities and are developing new technologies to gain competitive advantages. Depending on the location of the shipper and the importer, we must compete against niche players, larger entities including carriers, and emerging technology companies. The primary competitive factors are price and quality of service. Many larger customers utilize the services of multiple logistics providers. Customers regularly solicit bids from competitors in order to improve service and to secure favorable pricing and contractual terms such as: longer payment terms; fixed- price arrangements; higher or unlimited liability limits; **broad indemnity undertakings**; heightened cybersecurity and data privacy obligations; and performance penalties. Increased competition and competitors' acceptance of expanded contractual terms coupled with customers' dissatisfaction with elevated rates, scarce capacity, and extended transit times could result in loss of business, reduced revenues, reduced margins, higher operating costs or loss of market share, any of which would damage our results of operations, cash flows and financial condition.

17. Operational Risks We are dependent on our personnel and any inability to hire, develop or retain our key employees may have a negative impact on our operations. In the long term, identifying, recruiting, hiring, training, and retaining employees is essential to our ability to operate and deliver our services, our ability to grow and ultimately our future profitability. **We require employees** ~~The global pandemic caused disruptions to our work in environment by requiring the majority of our employees to work remotely during the height of the pandemic. As pandemic restrictions eased, we required employees to return to the office, while other companies may allow have maintained fully or partially remote- work policies. As a result of those individuals who prefer working remotely, we may experience a higher degree of turnover of key employees and lower employee satisfaction in the near future. Further, this could inhibit our ability to identify, recruit, and hire new employees over time. We cannot predict how this may affect employees' habits, preferences nor the impact it may have on our Company's culture and our ability to continue to retain and attract talented employees who have become accustomed to a remote work environment.~~ Additionally, we may incur higher compensation-related expense to recruit and retain **employees** and incur additional significant expense to hire third parties to perform tasks that have historically been performed by our employees. We believe that our compensation programs are among the unique characteristics responsible for differentiating our performance from that of many of our competitors. Significant changes to compensation programs or significant declines in our operating income or operating losses could impact our ability to attract and retain key personnel. Effective succession planning is an important element of our programs. Failure to ensure an effective transfer of knowledge and smooth transitions involving key employees could adversely affect our business by hindering our ability to execute our business strategies and impacting our level of service. We must continue to develop and retain management personnel to address issues of succession planning. ~~The pandemic caused significant disruptions in global supply chain operations that were further exacerbated by congestion at destination ports and shortages of equipment, labor and warehouse space. In response to these conditions, we hired additional employees in 2021 and 2022 to be able to service customers and navigate through these challenges. Though these disruptions substantially cleared by the fourth quarter of 2022, our number of employees at December 31, 2023, remains high relative to our volumes and our operating income. In the short term, any reductions in our workforce could result in additional expenses. Conversely, a failure to reduce compensation expense and other expenses in periods when the business environment does not support our workforce level will result in lower compensation earned by the majority of employees. This may challenge our ability to retain and attract key employees to conduct our business successfully.~~ We cannot predict how management's responses to these challenges will ultimately impact our Company culture, financial position, results of operations and cash flows or our ability to successfully attract and retain key employees in the future. We rely heavily upon the flexibility and sophistication of the technologies used in our core business and failure to properly manage, enhance and update technologies could lead to disruptions in our operations or our ability to remain

competitive. Expeditors relies heavily and must compete based upon the flexibility and sophistication of the technologies utilized in performing our core businesses. Future results depend on our success in developing competitive and reliable systems to address the needs of our customers and suppliers. Development and maintenance of these systems must be accomplished in a cost-effective manner and support the use of secure protocols, including integration and availability of third-party technology. We are continually **improving and enhancing our systems and processes**, including meaningful upgrades to core operating and accounting systems **and remediation of internal control deficiencies**. These efforts are inherently complex and, if not managed properly, could lead to disruptions in our operations or our ability to remain competitive. Any significant disruptions **or unapproved third-party access** to our network and systems continuity could have an adverse impact to our business and financial results. As our employees, our customers and suppliers continue to increase reliance on systems, and as additional features are added, the risks also increase. Any significant disruptions **or unapproved third-party access** to our global systems or the internet for any reason, which could include equipment or network failures; co-location facility failures; power outages; sabotage; **government interference**, employee error or other actions; cyber-attacks or other security breaches; reliance on third-party technology; geo-political activity or natural disasters; all of which could have a material negative effect on our results. In February 2022, we were the subject of a targeted cyber-attack. Upon discovering the incident, we shut down most of our operating systems globally to manage the safety of our overall global systems environment. This shutdown and any such future events **will be likely to** result in loss of revenue; business disruptions (such as the inability to timely process shipments); and significant remediation costs. This cyber-attack, or any future cyber-attack could also result in increased vulnerability to attempts of fraud, legal claims and proceedings including potential breach of contract claims, reporting delays or errors; interference with regulatory reporting; an increase in costs to protect our systems and technology; or damage to our reputation. **A future cyber-attack may also result in the destruction or exfiltration of our data as well as that of our customers and service providers.**

18. We rely on service providers, including air, ocean, ground freight carriers and others and if they have insufficient capacity available relative to market demand or have reduced capacity to provide service, it may adversely impact our business and operating results. As a non-asset-based provider of global logistics services, Expeditors depends on a variety of carriers and other service providers, including air, ocean and ground freight carriers. Our ability to deliver our services depends on service providers having sufficient capacity available to purchase. The quality and profitability of our services depend upon effective selection and oversight of our service providers. ~~During the COVID-19 pandemic, air carriers were particularly affected, having to cancel flights due to travel restrictions resulting in dramatic drops in revenues, historical losses, high leverage and liquidity challenges.~~ When market demand significantly exceeds available capacity in a given market, ~~which was the case for various services and markets at the beginning of the pandemic in 2020 and that continued through the first half of 2022~~, we may not always be able to find acceptable transportation or other service solutions to meet our customers' needs, or the routing and delivery of freight may be subject to delays that are outside of our control. Quality customer service is a key element of the Company's success, and such challenges in meeting our customers' needs and requirements may result in loss of business. Major disruptions to carriers' operations, such as caused by a global health emergency, could place significant stress on our air, ocean and freight ground carriers, as well as other service providers, which may result in reduced carrier capacity or availability, pricing volatility or more limited carrier transportation schedules and other services that we utilize, which could adversely impact our operations and financial results. Failure to grow and gain profitable market share could adversely impact our ability to remain competitive and could adversely impact our business. Expeditors has historically relied primarily upon organic growth and has tended to avoid growth through acquisition. Future results will depend upon our ability to anticipate and adapt to constantly evolving supply chain requirements and innovations. To continue to grow organically, we must gain profitable market share in a highly competitive environment and successfully develop and market new service offerings. When investment opportunities arise, our success could be dependent on our ability to evaluate and integrate acquisitions. Any disruption of our business caused by a catastrophic event could harm our ability to conduct normal business operations and impact our operating results. A disruption or failure of Expeditors' systems or operations in the event of a major earthquake, weather event, cyber-attack, terrorist attack, strike, civil unrest, mass population dislocation, pandemic or other catastrophic event could cause delays in providing services or performing other mission-critical functions. Our corporate headquarters and certain other critical business operations are in the Puget Sound area of Washington, which is near major earthquake faults. A catastrophic event that results in the destruction or disruption of any of our critical business or information technology systems could harm our ability to conduct normal business operations and our operating results. See "Any significant disruptions to our network and systems continuity could have an adverse impact to our business and financial results" above. We face risks associated with the handling, **transporting, and storing** of customer inventory **including classified dangerous goods and high value commodities**. Under some of our agreements, we maintain **and transport** the inventory of our customers, some of which may be **significant in classified as dangerous goods or high value in nature**. Our failure to properly handle and safeguard such inventory exposes us to potential claims and expenses as well as harm to our business and reputation. Our insurance coverage does not cover all potential losses and significant uninsured losses could adversely impact our financial results. We carry insurance coverage for property damage, personal injury and other insurable events resulting from certain events such as fire, accidents, and other perils under extended coverage policies. Our insurance coverages contain policy specifications and insured limits customarily carried for similar locations, business activities and markets. ~~We~~ **Though we** believe we are adequately insured, ~~Certain certain~~ losses, ~~however~~, including losses from floods, earthquakes, acts of war, acts of terrorism or riots, cybersecurity events and pandemics, generally are not insured against or not fully insured against because it is not deemed economically feasible or prudent to do so. **In some instances, the value of our customers' goods stored in a single facility or contained in a single shipment may be high in nature and may exceed our general property damage insurance policy limits.** If an uninsured loss or a loss in excess of insured limits occurs with respect to one or more of our facilities in the future, we could experience a significant loss of assets, including customer inventory **(inclusive of high**

value commodities), and future operations could be harmed resulting in a loss of revenues or higher claims and operating expenses ~~-19-~~. Furthermore, we cannot be sure that the insurance companies will be able to continue to offer products with sufficient coverage at commercially reasonable rates. If we experience a loss that is uninsured or that exceeds insured limits, then we could incur additional expenses or a loss of future revenues from a facility that is damaged. Any such losses or higher insurance costs could adversely affect our business. **19**. Difficulty in forecasting timing or volumes of customer shipments or rate changes by carriers could adversely impact our margins and operating results. Expeditors is not aware of any accurate means of forecasting short- term customer requirements. However, long- term customer satisfaction depends upon our ability to meet these unpredictable short- term customer requirements. Personnel costs, our single largest expense, are always less flexible in the very near term as we must staff to meet uncertain demand. As a result, short- term operating results could be disproportionately affected. A significant portion of Expeditors' revenues is derived from customers in retail and technology industries whose shipping patterns are tied closely to consumer demand, and from customers in industries whose shipping patterns are dependent upon just- in- time production schedules. Therefore, the timing of our revenues is, to a large degree, impacted by factors out of our control, such as a sudden change in consumer demand for retail goods, changes in trade tariffs, product launches and / or manufacturing production delays. Additionally, many customers ship a significant portion of their goods at or near the end of a quarter, and therefore, we may not learn of a shortfall in revenues until late in a quarter. To the extent that a shortfall in revenues or earnings was not expected by securities analysts or investors, any such shortfall from levels predicted by securities analysts or investors could have an immediate and adverse effect on the trading price of our stock. Volatile market conditions can create situations where rate increases charged by carriers and other service providers are implemented with little or no advance notice. We often cannot pass these rate increases on to our customers in the same time frame, if at all. As a result, our yields and margins can be negatively impacted. Climate change, including measures to address climate change, could adversely impact our business and financial results. The long- term effects of climate change are difficult to predict and may be widespread. The impacts of climate change may include physical risks (such as rising sea levels, which could affect port operations or frequency and severity of extreme weather conditions, which could disrupt our operations and damage cargo and our facilities), compliance costs and transition risks (such as increased regulation and taxation to support carbon emissions reduction investments), shifts in customer demands (such as customers requiring more fuel efficient transportation modes or transparency to carbon emissions in their supply chains) and customer contractual requirements around environmental initiatives **(such as greenhouse gas emission reduction target setting)** and other adverse effects. Our non-asset- based model gives us a flexibility and an ability to change locations, modes, and carriers based on evolving operating conditions. However, such impacts may disrupt our operations by adversely affecting our ability to procure services that meet regulatory or customer requirements, depending on the availability of sufficient appropriate logistics solutions. In addition, the increasing concern over climate change has resulted and may continue to result in more regulations relating to climate change, including regulating greenhouse gas emissions, restrictions on modes of transportation, alternative energy policies and sustainability initiatives, such as the FuelEU Maritime initiative or the EU Emissions Trading System. If, in the United States or in any other jurisdictions in which we operate, legislation or regulations are enacted or promulgated that impose more stringent restrictions and requirements than our current legal or regulatory obligations, we may experience disruptions in, or increases in the costs associated with delivering our services, which may negatively affect our ~~operating our~~ results of operations, cash flows and financial condition. **Government Regulation and Tax Risks** We are subject to a complex regulatory environment, and failure to comply with and adapt to these regulations could result in penalties or otherwise adversely impact our business. Expeditors is affected by ever increasing regulations from a number of sources in the United States and in foreign locations in which we operate. Many of these regulations are complex and require varying degrees of interpretation, including those related to handling dangerous and hazardous materials, trade compliance, data privacy, environmental, employment, compensation and competition, and may result in unforeseen costs ~~-20-~~. In reaction to the continuing global terrorist threat, governments around the world are continuously enacting or updating security regulations. These regulations are multi- layered, increasingly technical in nature and characterized by a lack of harmonization of substantive requirements among various governmental authorities. Furthermore, the implementation of these regulations, including deadlines and substantive requirements, can be driven by regulatory urgencies rather than industry' s realistic ability to comply. **20**. Failure to consistently and timely comply with these regulations, or the failure, breach or compromise of our policies and procedures or those of our service providers or agents, may result in increased operating costs, damage to our reputation, difficulty in attracting and retaining key personnel, restrictions on operations or fines and penalties. We operate globally and any inability to safeguard our operations or comply with anti- corruption laws and trade compliance regulations would adversely impact our reputation and business. A material portion of Expeditors' revenues and operating income comes from operations conducted outside the United States. To maintain a global service network, we may be required to operate in hostile locations and in dangerous situations. Doing business in foreign locations also subjects us to a variety of risks and considerations not normally encountered by domestic enterprises. In addition, we operate in parts of the world where common business practices could constitute violations of the anti- corruption laws, rules, regulations and decrees of the United States and of other countries in which we conduct business, including the U. S. Foreign Corrupt Practices Act as well as trade and exchange control laws, or laws, regulations and Executive Orders imposing embargoes and sanctions; and anti- boycott laws and regulations. Compliance with these laws, rules, regulations and decrees is dependent on our employees, service providers, agents, third party brokers and customers, whose individual actions could violate these laws, rules, regulations and decrees. Failure to comply could result in substantial penalties and additional expenses, damage to our reputation and restrictions on our ability to conduct business. We are subject to taxation in multiple jurisdictions, and although we believe our tax estimates are reasonable, any adverse determinations in tax audits could negatively impact our financial results. Expeditors is subject to income and non- income taxation in the United States (Federal, state and local) as well as many foreign jurisdictions including the People' s Republic of China, including Hong Kong, Taiwan, Vietnam, India,

Mexico, Canada, Netherlands and the United Kingdom. In many of these jurisdictions, the tax laws are very complex and are open to different interpretations and application. Tax authorities frequently implement new taxes and change their tax rates and rules, including interpretations of those rules. The Organization for Economic Cooperation and Development (OECD) reached agreement among various countries to implement a minimum 15 % tax rate on certain multinational enterprises, commonly referred to as Pillar Two. Many countries continue to announce changes in their tax laws and regulations based on the Pillar Two proposals. We are continuing to evaluate the impact of these proposed and enacted legislative changes as new guidance becomes available. Some of these legislative changes could impact our effective tax rate and tax liabilities. Given the numerous proposed tax law changes and the uncertainty regarding such proposed legislative changes, the impact of Pillar Two cannot be determined at this time. The timing of the resolution of income and non-income tax examinations can be highly uncertain, and the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities, which may differ significantly from the amounts recorded. It is reasonably possible that within the next twelve months we will undergo further audits and examinations by various tax authorities and possibly may reach resolution related to income tax examinations covering one or more jurisdictions and years. In recent years, the United States and other foreign governments have made significant changes to tax laws, and more changes are anticipated in future periods. Often, those changes are subject to the issuance of new regulations and interpretations, which adds complexity and uncertainty in calculating tax liabilities. We are regularly under audit by tax authorities, including transfer pricing inquiries. The Indian tax authority (ITA) has asserted that additional tax applies principally related to transfer pricing and transactions between and amongst the Company and its Indian subsidiary and the applicability to an Indian service tax applicable to ocean and air imports and exports. We believe that ITA's positions are without merit, and we are defending our position vigorously in Indian courts. If these matters are adversely resolved, we would recognize significant additional tax expense including interest and penalties. Although we believe our tax estimates are reasonable, the final determination of tax audits, including any potential penalties and interest, could be materially different from our tax provisions and accruals and negatively impact our financial results. We cannot currently provide an estimate of the range of possible outcomes. Current economic and political conditions make tax laws and regulations, or their interpretation and application, in any jurisdiction subject to significant change. Changes in tax laws or statutory tax rates, competing tax regimes, variability in the mix of pretax earnings we generate in the U. S, as compared to other countries, or new taxes in the United States or foreign jurisdictions could result in additional tax liabilities, or increased volatility in our effective tax rate and total tax expense. 21. General Risks Investigations and litigation could require management time and or to incur substantial legal costs or fines, penalties or damages, any of which could adversely impact on our financial results. As a multinational corporation, Expeditors is subject to formal or informal investigations from governmental authorities or others in the countries in which we do business. In addition, we may become subject to civil litigation with our customers, service providers and other parties with whom we do business. These investigations and litigation may require significant management time and could cause us to incur substantial additional legal and related costs, which may include fines, penalties or damages that could have a materially adverse impact on our financial results. Global health emergencies on the scale of the COVID- 19 pandemic may significantly impact worldwide economic conditions and global trade and can have a disruptive effect on our operations, and the operations of our service providers and our customers, which may impact our business. We may be impacted by a global health emergency, similar to the scale of what we experienced during the COVID- 19 pandemic. Significant global health emergencies may prompt governments around the world to mandate lockdowns and implement other restrictions that can have a direct impact on international trade. Such government restrictions may contribute to shortages of both labor and capacity and increase costs that impact our operations. Any significant global health emergency on the scale of the COVID- 19 pandemic could negatively affect our business and our financial results. Such a disruptions could also have the effect of heightening many of the other risks described above. We identified a material weakness weaknesses in our internal control over financial reporting related to an ineffective information technology general control controls which, if not remediated appropriately or timely, could result in loss of investor confidence and adversely impact our stock price. Internal controls related to the operation of technology systems are critical to maintaining adequate internal control over financial reporting. As disclosed in Part II, Item 9A, during the fourth quarter of 2022, management identified a material weakness weaknesses in internal control related to certain database changes made to an information technology (IT) system systems that supports support the Company's financial reporting processes. As management continued the remediation process and reviews, we identified additional IT controls that were not designed or operated appropriately that relate to these material weaknesses. Management concluded that unauthorized access and changes to databases and related applications could have gone undetected as controls to review and authorize access and direct changes that support several key operational and accounting systems excluded certain changes from review or were not captured, and as such were either not designed properly or did not operate effectively as designed. In addition, the system logic used to record direct changes excluded certain changes from being captured for review. As a result, management concluded that our internal control over financial reporting was not effective as of December 31, 2022 and, 2023 and 2024. As a result of identifying this issue, management will continue to implement certain enhancements designed to strengthen IT program change management processes. We expect that necessary enhancements are currently unable to estimate when full remediation of these material weaknesses will be completed prior to. The material weaknesses will not be considered fully remediated, until the applicable controls operate for a sufficient period of time and management has concluded through additional testing that the these end of 2024 controls are operating effectively. To However, to the extent management is unable to remediate ultimately conclude that the identified issue issues have been remediated, our ability to record, process and report financial information accurately, and to prepare financial statements within required time periods, could be adversely affected, which could subject us to litigation or investigations requiring management resources and payment of legal and other expenses, negatively affect investor confidence in our financial statements and adversely impact our stock price. Actions of activist investors could disrupt our business. Public companies have been the target of activist investors.

In the event that a third party, such as an activist investor, proposes to change our governance policies, board of directors, or other aspects of our operations or strategy, our review and consideration of such proposals may create a significant distraction for our management and employees. This could negatively impact our ability to execute various strategic initiatives and may require management to expend significant time and resources responding to such proposals. Such proposals may also create uncertainties with respect to our financial position and operations and may adversely affect our ability to attract and retain key employees. **22.**