

The Eastern Company
Audit Committee Charter

The Board of Directors (the “Board”) of The Eastern Company (the “Company”) shall appoint from its members an Audit Committee (the “Committee”). This Charter of the Audit Committee (this “Charter”) defines the composition, purpose, duties, responsibilities and authority of the Committee as follows:

Composition of the Committee, Meetings and Procedures

The Committee shall consist of no fewer than three members. Each member of the Committee shall satisfy the independence, experience and financial expertise requirements of Section 10A of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the rules and regulations of the Securities and Exchange Commission (the “SEC”) and The Nasdaq Stock Market (“Nasdaq”), including Rule 10A-3 promulgated under the Exchange Act and Nasdaq Rule 5605.

The Board shall appoint the members of the Committee annually. The members of the Committee shall serve until their successors are duly elected and qualified or their earlier resignation or removal. Unless a Chair of the Committee is appointed by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee. The Board shall have the power at any time to change the membership of the Committee and to fill vacancies on the Committee, subject to such new member(s) satisfying the independence, experience and financial expertise requirements referred to above.

At least one member of the Committee shall be designated by the Board as an “audit committee financial expert,” as defined by SEC rules, and the Company shall disclose the existence of such expert in its Annual Report on Form 10-K or Annual Meeting Proxy Statement.

The Committee shall meet on at least a quarterly basis and additionally as circumstances dictate, including prior to the filing of the Company’s Quarterly Reports on Form 10-Q and Annual Reports on Form 10-K, and to review the annual audit plan and post-audit results. As permitted by Section 33-749 and Section 33-753(d) of the Connecticut General Statutes, the Committee may act by unanimous written consent, and, as permitted by Section 33-748 and Section 33-753(d) of the Connecticut General Statutes, the Committee may conduct meetings via any means of communication by which all directors participating may simultaneously hear each other during the meeting, including, without limitation, via telephone conference or video conference.

Except as expressly provided in this Charter or the bylaws of the Company or as otherwise provided by law or the rules or regulations of Nasdaq or the SEC, the Committee shall fix its own rules of procedure.

Statement of Purpose

The Committee shall provide assistance to the Board in fulfilling its oversight and disclosure responsibilities relating to the Company's financial statements and the financial reporting process, systems of internal accounting and financial controls, the internal audit function and the annual independent audit of the Company's financial statements. In so doing, it is the responsibility of the Committee to maintain free and open communication between the Committee, the independent auditors, the internal auditors and management of the Company. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all relevant books, records, facilities, and personnel of the Company.

The Committee shall also oversee the Company's risk assessment and risk management policies, including programs to promote ethical behavior, prevent and detect fraud, and ensure compliance with applicable laws, rules and regulations.

Committee Duties, Responsibilities and Authority

The Committee shall be directly responsible for the appointment, compensation, retention and, as necessary, termination of the Company's independent accounting firm, and shall approve all audit engagement fees and terms and all non-audit engagements with the independent accounting firm. The Committee shall consult with management but shall not delegate these responsibilities, except that pre-approvals of non-audit services may be delegated to a single member of the Committee. In its capacity as a committee of the Board, the Committee shall be directly responsible for the oversight of the work of the independent accounting firm (including resolution of disagreements between management and the independent accounting firm regarding financial reporting) for the purpose of preparing or issuing an audit report or related work, and the independent accounting firm shall report directly to the Committee.

The Committee shall review annually the independence of the Company's independent accounting firm. The Committee shall ensure that the Company's independent accounting firm submits a formal written statement to the Committee delineating all relationships between the independent accounting firm and the Company, actively engage in a dialogue with the independent accounting firm with respect to any disclosed relationships or services that may impact the objectivity and independence of such firm and take, or recommend that the Board take, appropriate action to oversee the independence of the firm.

The Committee shall have the authority, to the extent it deems necessary or appropriate, to retain independent counsel, experts or other advisers as it determines necessary or appropriate to carry out its duties. The Company shall provide appropriate funding, as determined by the Committee, to support the Committee's activities, including, without limitation, the compensation of any registered public accounting firm engaged for the purpose of rendering or issuing an audit report or related work or performing other audit, review or attest services or permissible non-audit services for the Company, compensation to any independent counsel, experts or other advisers, as well as for any ordinary administrative expenses of the Committee that the Committee determines are necessary or appropriate to carry out its duties. The Committee is also authorized to conduct

or authorize investigations into any matters within its scope of responsibilities. The Committee shall meet periodically with management and the independent accounting firm in separate executive sessions in furtherance of its purposes.

The Committee may request any officer or employee of the Company, the internal auditors or the Company's outside counsel or independent accounting firm to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

The Committee shall make regular reports to the Board. The Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval. The Committee shall annually review the Committee's own performance.

In performing its functions, the Committee shall undertake those tasks and responsibilities that, in its judgment, would most effectively contribute and implement the purposes of the Committee. The following functions are some of the common recurring activities of the Committee in carrying out its oversight responsibility:

- Review and discuss with management and the independent accounting firm the Company's annual audited financial statements, including disclosures made in "Management's Discussion and Analysis of Financial Condition and Results of Operations" or similar disclosures, and the matters required to be discussed by Auditing Standard No. 1301, and recommend to the Board whether the audited financial statements should be included in the Company's Annual Report on Form 10-K.
- Review and discuss with management and the independent accounting firm the Company's quarterly financial statements, including disclosures made under "Management's Discussion and Analysis of Financial Condition and Results of Operations" or similar disclosures, and the matters required to be discussed by Auditing Standard No. 1301, prior to the filing of its Form 10-Q, including the results of the independent accounting firm's reviews of the Company's quarterly financial statements to the extent applicable.
- Review and discuss with management, the internal auditors and the independent accounting firm, as applicable: (a) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies; (b) analyses prepared by management or the independent accounting firm setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects on the financial statements of alternative methods under generally accepted accounting principles ("GAAP"); (c) any management letter provided by the independent accounting firm and the Company's response to that letter; (d) any problems, difficulties or differences encountered in the course of the audit work, including any disagreements with management or restrictions on the scope of the independent accounting firm's activities or on access to requested information and management's response thereto; (e) the effect of regulatory and

accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company; and (f) earnings press releases (paying particular attention to any use of “pro-forma,” or “adjusted” non-GAAP, information), as well as financial information and earnings guidance (generally or on a case-by-case basis) provided to analysts and rating agencies.

- Meet with the independent auditors, the internal auditors and financial management of the Company to review the scope of the proposed audit for the current year and the audit procedures to be utilized, and at the conclusion thereof review such audit, including any comments or recommendations of the independent auditors.
- Review the disclosures concerning the Committee and its operations as may be required for inclusion in proxy materials distributed by the Company in connection with meetings of its shareholders.
- Establish and review procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by Company employees of concerns regarding questionable accounting or auditing matters.
- Review and discuss all relationships which the independent accounting firm has with the Company in order to consider and evaluate the independent accounting firm’s continued independence, ensure the rotation of the lead (or coordinating) audit partner and other significant audit partners, and establish clear hiring policies for employees or former employees of the independent accounting firm who are proposed to be hired by the Company.
- When applicable, review the independent accounting firm’s attestation to management’s report included in the Annual Report on Form 10-K which evaluates the Company’s internal controls and procedures for financial reporting.
- Review any reports of the independent accounting firm mandated by Section 10A of the Exchange Act, and obtain from the independent accounting firm any information with respect to illegal acts in accordance with Section 10A.
- Oversee the Company’s internal audit function, including its purpose, performance, independence, resources and effectiveness. The Committee shall receive periodic reports from the head of the Company’s internal audit function regarding audit activities, significant findings, the Company’s major risk exposures (whether financial, operating or otherwise), the steps management has taken to monitor and control such exposures and the adequacy and effectiveness of the Company’s internal control over financial reporting. The head of the Company’s internal audit function shall report directly to the Committee, shall have unrestricted access to the Committee, and shall meet periodically with the Committee in executive session without management present. The Committee shall have full authority

to review and approve the hiring or dismissal of the head of the Company's internal audit function.

- Discuss with management and the internal auditors the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.
- Perform any other activities consistent with this Charter, the Company's bylaws, or governing law as the Committee or the Board deems necessary or appropriate.
- Review all related-party transactions consistent with Regulation S-K Item 404 and Nasdaq requirements, and approve or disapprove such transactions.
- Oversee management's ethics and anti-fraud programs including identification of fraud risks and implementation of anti-fraud measures.

Limitations of Audit Committee's Roles

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to prepare financial statements, to plan or conduct audits, or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with GAAP and applicable laws, rules and regulations. These are the responsibilities of management with advice from the independent accounting firm.