

THE EASTERN COMPANY

CORPORATE GOVERNANCE GUIDELINES FOR THE BOARD OF DIRECTORS

The Board of Directors (the “Board”) of The Eastern Company (“Eastern” or “the Company”) has adopted these Corporate Governance Guidelines to promote the effective functioning of the Board and its committees. These guidelines should be interpreted in accordance with any requirements imposed by applicable federal or state law, rule or regulation, the Restated Certificate of Incorporation of the Company and the Amended and Restated Bylaws of the Company. The Nominating and Corporate Governance Committee shall periodically review and evaluate the adequacy of these guidelines and recommend to the Board for approval any changes deemed appropriate by the Nominating and Corporate Governance Committee.

BOARD COMPOSITION AND LEADERSHIP STRUCTURE

A. Board Membership Criteria

The Board seeks members who have the ability to apply good business judgment, are able to exercise their duties of loyalty and care, exhibit proven leadership capabilities and high integrity, and are able to quickly grasp complex principles of business and finance. Directors should also have the willingness and ability to devote adequate time, energy and resources to diligently perform Board and committee duties and responsibilities. The Board values a diversity of backgrounds, skills, experiences, abilities, views and perspectives to help ensure that the Board, as a whole, can effectively fulfill its oversight and advisory responsibilities.

B. All directors must have experience in positions with a high degree of responsibility and must currently be or have been leaders in the companies or institutions with which they are or have been affiliated. Directors should also be committed to representing the long-term interests of shareholders and possess a willingness to appropriately challenge management and the consensus view in the boardroom when deemed appropriate. A director should not, by reason of any other position, activity or relationship, be subject to any conflict of interest that would impair the director’s ability to fulfill the responsibilities of a member of the Board.

C. Optimum Board Size

The Board believes its optimum size is 5 to 10 members, consistent with the Company’s bylaws.

D. Director Independence

A majority of the directors on the Board shall be independent directors as defined by the rules and regulations of The Nasdaq Stock Market and the Securities and Exchange Commission and other applicable law, rules and regulations. The Board’s Director Independence Standards are set forth in Appendix A.

E. Board Leadership Structure

It is the policy of the Company that the positions of the Chairman of the Board and Chief Executive Officer be held by separate persons and that the position of Chairman be held by an independent director.

F. Chairman of the Board

As part of the formal duties and responsibilities of the Chairman of the Board, the Chairman:

- Has the authority to call Board meetings;
- Solicits directors for advice on agenda items for meetings of the Board and Executive Sessions (as defined below) to facilitate Board focus on key issues and topics of interest to the Board;
- Collaborates with the CEO in developing the agenda for meetings of the Board;
- Approves Board meeting agendas and the schedule of Board meetings to assure that there is sufficient time for discussion of all agenda items;
- Approves the types and forms of information sent to the Board;
- Facilitates the efficient and effective functioning and performance of the Board and discussion among directors during Board meetings, in Executive Sessions and outside of Board meetings;
- Facilitates communication among the Chairman, the CEO and the directors;
- Communicates with the CEO and other members of management, as appropriate, about decisions reached, suggestions made and views expressed by directors in Executive Sessions or outside of Board meetings;
- Communicates with the CEO between meetings and acts as a “sounding board” and advisor;
- Consults with the Chair of the Nominating and Corporate Governance Committee with respect to Board succession planning and Board Committee appointments;
- Coordinates with the Chair of the Nominating and Corporate Governance Committee with respect to recruiting and interviewing candidates for the Board and the annual evaluation of the Board, its committees and individual directors; and
- Consults with the Chair of the Compensation Committee with respect to the annual evaluation of the performance of the CEO.

G. Selection of New Directors

The Nominating and Corporate Governance Committee recommends director candidates to the Board for approval consistent with the Board membership criteria set forth above and the specific needs of the Board at the time. The Chairman or the Chair of the Nominating and Corporate Governance Committee shall extend invitations to join the Board to new directors.

H. Majority Voting

The Company's bylaws provide for a majority vote standard for the election of directors in an uncontested election. An incumbent director who fails to receive a majority of the votes cast in an election that is not a contested election (as defined in the Company's bylaws) shall tender his or her resignation pursuant to the Company's bylaws and shall not participate in any proceedings by the Board or any committee thereof regarding whether to accept or reject such director's resignation, or whether to take other action with respect to such director.

CONTINUATION AS A DIRECTOR

I. Term Limits and Retirement

The Board does not favor term limits for directors but believes that it is important to monitor individual director performance. The Board also believes that it is important to have both shorter- and longer-tenured directors, with the goal of maintaining an appropriate balance of new perspectives and longer-term expertise and continuity. The Board does not believe that there should be a fixed term or retirement age for directors or that directors who retire from or change their principal occupation or business should necessarily be required to end their service as directors.

J. Board Resignation Policy for Directors

When a director voluntarily terminates his or her tenure, the Board expects that the director will provide advance notice of intent to resign or resignation to the Chairman and the Corporate Secretary.

K. Change in Director's Personal Circumstances

A director whose principal occupation or employer changes or who retires from a principal occupation shall advise the Chairman and the Corporate Secretary.

L. Service on Other Boards and Audit Committees

A director who plans to join the board of directors or similar governing body of another public or private company or an advisory board, who plans to join the audit committee of another public company, who plans to accept a significant committee or other board assignment (such as lead or presiding director or executive chair) on another public company board, or who experiences other changed circumstances that could diminish his or her effectiveness as a Board member shall advise the Chairman and the Corporate Secretary before accepting such position, and the Chairman and the Corporate Secretary shall coordinate with the Nominating and Corporate Governance Committee Chair for further review, as deemed appropriate.

Directors may not serve on the board of directors of more than four public companies, including the Company; provided, however, that any director who serves as the active CEO of another public company may not serve on the board of directors of more than two public companies, including

the Company and the board of directors of the public company for which the director serves as CEO.

BOARD OPERATIONS

M. Duties and Obligations of Directors

Directors are expected to exercise their business judgment in good faith, on an informed basis, and in a manner they reasonably believe to be in the best interests of the Company and its shareholders. Directors are also expected to devote the time and effort necessary to properly fulfill their obligations. The proceedings and deliberations of the Board and its committees are confidential, and directors are expected to maintain the confidentiality of such proceedings and deliberations, as well as any information received in connection with their service to the Company.

N. Board Committees

The Board currently has established the following standing committees to assist the Board in its responsibilities: (i) the Audit Committee, (ii) the Compensation Committee, (iii) the Nominating and Corporate Governance Committee, (iv) the Environmental, Health and Safety Committee, (v) the Capital Allocation and Investment Committee, and (vi) the Executive Committee. The Board determines the responsibilities for each of these committees and appoints the members of the committees in accordance with their committee charters. The duties of each of these committees are outlined in their respective committee charters, which are published on the Company's website. Each committee shall report regularly to the Board on key matters reviewed and approved by the committee, provided that such reporting is not required if all directors were present at the committee meeting or if any director who was not present is briefed separately. The Board also may establish and maintain additional committees to facilitate discharging its responsibilities. The Chairman shall consult with committee chairs to obtain their insights and to optimize committee performance.

O. Development of Agendas and Meeting Schedules

The Chairman, in consultation with directors, shall establish the agendas and schedules for Board meetings. The committee chairs, in consultation with the Chairman, shall establish the committee agendas and schedules for committee meetings. Each standing committee shall meet as provided in its respective charter and committee meetings may include any participants the committee deems necessary or appropriate.

P. Distribution of Materials for Board and Committee Meetings

The Board believes it is critical for directors to have materials on topics to be discussed at Board and committee meetings sufficiently in advance of the meeting date and for directors to be kept abreast of developments between Board and committee meetings. The Company shall regularly inform directors of Company and competitive developments and shall seek to distribute, approximately a week in advance, written materials for use at regularly scheduled Board and committee meetings. Meeting materials and minutes for each committee meeting shall be made available to all directors.

Q. Attendance of Directors at Board and Committee Meetings

The Board expects directors to attend the meetings of the Board and the committees on which they serve and review in advance materials distributed before the meetings. All directors, whether or not members of a committee, are permitted to attend committee meetings at the discretion of the committee chair.

R. Attendance of Directors at the Annual Meeting of Shareholders

The Board expects that all directors will attend the Company's annual meeting of shareholders.

S. Board Access to Non-Directors

Directors shall have access to all senior members of management and other employees of the Company as deemed necessary or appropriate to enable the Board and its committees to carry out their responsibilities. The Board believes that the attendance of key executive officers at Board meetings augments the meeting process. At the invitation of the Board, the Company's Chief Financial Officer shall attend all scheduled Board meetings and respond to questions posed by directors. The CEO may also invite key employees to attend Board sessions at which the CEO believes they can meaningfully contribute to Board discussion. Such persons are expected to answer questions posed by the Board relating to their areas of expertise.

T. Executive Sessions of Directors

"Executive Sessions" are sessions of the Board that include only independent, non-executive directors. Independent non-executive directors meet in Executive Sessions on a regular basis. The Chairman has the authority to call and lead Executive Sessions. Employees of the Company are not permitted to attend Executive Sessions.

U. Director Access to Independent Advisors

The Board, the Chairman and, subject to the procedures set forth in their respective charters, the committees of the Board, have the right at any time to retain independent financial, legal or other advisors and the Company shall provide appropriate funding for such advisors.

V. Board Compensation

The Compensation Committee recommends director compensation and benefits to the Board. In discharging this duty, the Compensation Committee is guided by three goals: compensation should fairly pay directors for their services commensurate with the Company's size and scope; compensation should align directors' interests with the long-term interests of shareholders; and the structure of the compensation should be easy for shareholders to understand. The Board believes that director compensation should be paid primarily in the form of equity in the Company because it believes that equity awards align the long-term interests of directors with those of shareholders and provide an ongoing incentive for directors to enhance shareholder value.

BOARD FUNCTIONS

W. Risk Oversight

The Board has oversight of the Company's global risk management framework and is responsible for helping to ensure that the Company's risks, including reputational risks, are managed in a sound manner. The Board shall regularly review the Company's risks and the responsibilities of management and the committees of the Board to assist the Board in risk oversight.

X. Strategy and Business Plans

The Board oversees the Company's strategy and annual business plans, and risks related thereto, and shall regularly review with management the Company's financial performance, strategy and business plans.

Y. Culture, Values and Conduct

The Board oversees the Company's practices and procedures relating to culture, values and conduct, and risks related thereto, and shall receive reports and updates regarding the Company's culture, values and conduct.

Z. Succession Planning

The Board is responsible for overseeing succession planning for the CEO and other senior executive officers of the Company. The Board, in consultation with the CEO, shall periodically review and discuss succession plans, including plans for both long-term development and emergency succession, to help ensure the continuity of leadership and the effective operation of the Company.

AA. Formal Evaluations of the Chief Executive Officer

The Board or a committee thereof shall establish performance criteria for use in formal evaluations of the CEO.

BB. Evaluation of Board, Chairman and Committee Performance

The Nominating and Corporate Governance Committee oversees and approves the process and guidelines for an annual evaluation of the performance and effectiveness of the Board, individual directors and each of the (i) Audit, (ii) Compensation, (iii) Nominating and Corporate Governance, (iv) Capital Allocation and Investment, and (v) Environmental, Health and Safety Committees, including self-evaluations by each of these committees and the Board. The evaluation process may include Board member interviews, written questionnaires and such other means as the Nominating and Corporate Governance Committee deems appropriate.

SHAREHOLDER COMMUNICATIONS POLICY

CC. Communications with the Board

The Board believes that under ordinary circumstances, management speaks for the Company and the Chairman speaks for the Board. Directors may, from time to time, meet with or communicate with various constituencies that are involved with the Company. It is expected that directors do this with the knowledge of management and, in most instances, at the request of management.

Shareholders and other interested parties may contact the Board, the non-executive directors, an individual director (including the Chairman) or a committee of the Board, by writing to them at The Eastern Company, 3 Enterprise Drive, Suite 408, Shelton, CT 06484, Attention: Corporate Secretary. Communications will be distributed by the Corporate Secretary to the appropriate director or directors, unless the communication is offensive, primarily commercial in nature, is “junk mail” or a mass mailing, or relates to an improper or irrelevant topic. Proposals submitted by shareholders are not covered under this policy.

DD. Director Candidates Recommended by Shareholders

The Nominating and Corporate Governance Committee shall consider qualified director candidates recommended by shareholders and shall apply the same standards in evaluating candidates recommended by shareholders as it does in evaluating candidates recommended by other sources.

Eastern shareholders who wish to recommend a director candidate for the Nominating and Corporate Governance Committee’s consideration must submit the recommendation in writing to the Corporate Secretary at the address noted in “Shareholder Communications” above. The recommendation must include (a) the name and address of the shareholder submitting the candidate for recommendation and the number of shares of stock of the Company beneficially owned by such shareholder; (b) the name, age, business address, principal occupation and principal qualifications of the candidate, as well as the number of shares of stock of the Company beneficially owned by the candidate, if any; and (c) confirmation of the candidate’s consent to being named in a proxy statement as a nominee and to serving as a director if elected. All recommendations will be forwarded to the Chair of the Nominating and Corporate Governance Committee for review and consideration. In addition, shareholders of record may nominate candidates for election to the Board by following the procedures set forth in Article III, Section 7 of the Company’s bylaws.

DIRECTOR STOCK OWNERSHIP

EE. Director Equity Ownership and Retention Requirements

Each non-employee director shall receive his or her fees for Board service in the form of shares of Eastern common stock. Non-employee directors are required to retain ownership of a number of shares of Eastern common stock and/or Eastern stock unit awards with a value equal to five times the initial annual Board retainer during his or her tenure on the Board and for six months following the termination of their tenure. Non-employee directors shall acquire their expected ownership

within five years of joining the Board. This equity ownership requirement helps align non-employee directors' interests with shareholders' interests.

FF. Prohibition Against Hedging and Pledging

In accordance with the provisions of the Company's Securities Law Compliance (Insider Trading) Policy, directors may not enter into hedging transactions in respect of Eastern common stock or pledge Eastern common stock in connection with a margin or other loan transaction.

NO CUMULATIVE VOTING

GG. Cumulative Voting

The Board strongly supports the "one share/one vote" concept and opposes cumulative voting. It opposes the ability of a single investor or group of investors to band together to achieve a goal, such as the election of a director, that is not supported by a majority of the Company's shareholders.

Appendix A

Definition of “Independent” Directors

For a director to be considered “independent” pursuant to the guidelines and requirements set forth in the Corporate Governance Requirements of The Nasdaq Stock Market, the Board must affirmatively determine that the director does not have any relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The Board has established the following guidelines to assist it in determining whether or not directors qualify as independent pursuant to such guidelines and requirements. In each case, the Board will broadly consider all relevant facts and circumstances and apply the following standards (in accordance with the guidance, and subject to the exceptions, provided by the Corporate Governance Requirements of The Nasdaq Stock Market):

Employment and commercial relationships affecting independence.

- A.** Current Relationships. A director will not be independent if: (i) the director or a Family Member (which includes a person’s spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares such person’s home) of the director is a current partner of Eastern’s external auditor; (ii) the director is a current employee of Eastern; (iii) the director is a Family Member of an individual who is a current executive officer of Eastern; (iv) the director or a Family Member of the director is employed as an executive officer of another entity, and any of the executive officers of Eastern served on the compensation committee of such other entity at any time during the past three years; or (v) the director is, or a Family Member of the director is, a partner in, or a controlling shareholder or an executive officer of, any organization to which the Company made, or from which the Company received, payments for property or services in the current or any of the past three fiscal years that exceed 5% of the recipient’s consolidated gross revenues for that year, or \$200,000, whichever is more (other than payments arising solely from investments in the Company’s securities or payments under non-discretionary charitable contribution matching programs).
- B.** Relationships within Preceding Three Years. A director will not be independent if, within the preceding three years: (i) the director was an employee of Eastern; (ii) the director is a Family Member of an individual who was an executive officer of Eastern; (iii) the director or a Family Member of the director was (a) a partner or employee of Eastern’s external auditor and (b) personally worked on Eastern’s audit within that time period; or (iv) the director or a Family Member of the director received more than \$120,000 in compensation in any consecutive twelve-month period from Eastern, other than (a) compensation for Board or committee service (b) compensation paid to a Family Member who is an employee (other than an executive officer) of Eastern, or (c) benefits under a tax-qualified retirement plan, or non-discretionary compensation.