

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.

BOARD COMPOSITION AND LEADERSHIP STRUCTURE

A. Board Membership Criteria

The Board seeks members who collectively represent a broad spectrum of experience and individually combine expertise and a reputation for integrity. The Board values the diversity of backgrounds, gender and other demographics to ensure that the Board, as a whole, has an appropriate mix of skills, experiences and perspectives to fulfill its oversight and advisory functions effectively.

All directors should have experience in positions with a high degree of responsibility and currently are or have been leaders in the companies or institutions with which they are affiliated. Directors are selected based upon contributions they can make to the Board and management. Directors also have the ability to represent the interests of shareholders and possess a willingness to appropriately challenge management in a constructive manner.

B. Optimum Board Size

The Board believes its optimum size is 5 to 10 members.

C. Director Independence

The Board will have a majority of independent directors. The Board’s Director Independence Standards are set forth in Appendix A.

D. 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.

E. Chairman

As part of his or her formal duties and responsibilities, the Chairman:

- Has the authority to call Board meetings;
- Solicits directors for advice on agenda items for meetings of the Board and executive sessions 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 insufficient 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, 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 and views expressed by directors in executive sessions or outside of Board meetings;
- Communicates with the CEO between meetings and act as a “sounding board” and advisor;
- Leads the annual evaluation of the performance and effectiveness of the Board, including consultation with each director regarding Board performance and effectiveness and, as necessary, individual director performance;
- Is available, if requested, to meet with the Company’s primary regulators;
- Is available, if requested by major shareholders, for consultation and direct communication in accordance with the Board Communication Policy set forth herein;
- Consults with the Chair of the Nominating and Governance Committee on Board succession planning and Board Committee appointments;
- Coordinates with the Chair of the Nominating and Governance Committee on recruiting and interviewing candidates for the Board; and
- Consults with the Chair of the Compensation Committee on the annual evaluation of the performance of the CEO.

F. Selection of New Directors

The Nominating and Governance Committee recommends director candidates consistent with the Board membership criteria to the Board. The Chairman or the Nominating and Governance Committee chair extends invitations to join the Board to new directors.

G. Majority Voting

The Company’s Bylaws provide for a majority vote standard for the election of directors in an uncontested election. The Board expects that 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) and who tenders his or her resignation pursuant to the Company’s Bylaws does 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

H. Term Limits

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.

I. 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.

J. Change in Director's Personal Circumstances

A director whose principal occupation or employer changes advises the Chairman and the Corporate Secretary.

K. 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 advise the Chairman and the Corporate Secretary before accepting such position, who coordinates with the Nominating and Governance Committee Chair for further review, as deemed appropriate.

Directors do not serve on the board of more than four public companies, including the Company; however, directors that serve as the active CEO of another public company do not serve on the board of more than two public companies, including the Company and the Board of the CEO's public company.

BOARD OPERATIONS

L. Duties and Obligations of Directors

Directors are expected to exercise their business judgment to act in good faith, on an informed basis and in what they reasonably believe to be the best interests of the Company and its shareholders. The Board expects directors to devote the time and effort necessary to properly fulfill the obligations of a director, taking into account memberships on other boards and other responsibilities. The proceedings and deliberations of the Board and its committees are confidential. The Board expects directors will maintain the confidentiality of such proceedings and deliberations and any information received in connection with service as a director of the Company.

M. Board Committees

The Board currently has established the following standing committees to assist the Board in its

responsibilities: (i) Audit Committee, (ii) Compensation Committee, (iii) Nominating and Governance Committee; and (iv) the Executive Committee. The Board determines the responsibilities for each of these committees. The duties of each of these committee is outlines in the committee charters, which are published on the Company's website. Each committee reports 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 a director who was not present at such meeting is briefed separately. The Board also may establish and maintain additional committees to facilitate discharging its responsibilities. The Chairman regularly consults with committee chairs to obtain their insights and to optimize committee performance.

N. Development of Agendas and Meeting Schedules

The Chairman, in consultation with directors, establishes the agendas and schedules for Board meetings. The Chairman approves Board meeting agendas and the schedule of Board meetings and may request inclusion of additional agenda items. The committee chairs, in consultation with the Chairman, establishes the committee agendas and schedules for committee meetings. Each standing committee meets as provided for in its respective charter during the year and, as necessary, receive reports from Company personnel on developments affecting the committee's work. Committee meetings include any participants the committee deems appropriate and are of sufficient duration and scheduled at such times as the committee deems appropriate to discharge properly its responsibilities.

O. Distribution of Materials for Board and Committee Meetings

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

P. Attendance of Directors at Board and Committee Meetings

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

Q. Attendance of Directors at the Annual Meeting of Shareholders

The Board expects that directors will attend the annual meeting of shareholders.

R. Board Access to Non-Directors

Directors have complete and open access to all senior members of management and other employees of the Company. The Board believes that attendance of key executive officers augments the meeting process. The Company's Chief Financial Officer attends all scheduled Board meetings, at the invitation of the Board, and respond to questions posed by directors relating to their areas of expertise. The CEO also invites key employees to attend Board sessions

at which the CEO believes they can meaningfully contribute to Board discussion. Such persons do not attend Executive Sessions.

S. Executive Sessions of Directors

“Executive Sessions” are sessions of the Board that only include only non-executive directors. Non- executive directors meet in Executive Sessions on a regular basis. The Chairman has the authority to call and lead Executive Sessions.

T. Director Access to Independent Advisors

The Board, the Chairman and its committees have the right at any time to retain independent financial, legal or other advisors and the Company provides appropriate funding.

U. 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 work required in a company of 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 its compensation should be distributed in equity in the Company because it believes that this more closely aligns the long-term interests of directors with those of shareholders and provides a continuing incentive for directors to foster the Company’s success.

BOARD FUNCTIONS

V. Risk Oversight

The Board has oversight for 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 regularly reviews the Company’s risks and the responsibilities of management and the Board committees to assist the Board in its risk oversight.

W. Strategy and Business Plans

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

X. Culture, Values and Conduct

The Board oversees the Company’s practices and procedures relating to culture, values and conduct, and risks related thereto, and receives reports on the Company’s culture, values and conduct.

Y. Succession Planning

The Board oversees plans for management development and succession. The Company’s senior executives serving on the Operating Committee complete a succession plan for their areas of responsibility that is reviewed with the CEO. The CEO provides input on each succession plan and discusses the plans with the Compensation Committee. The CEO reviews with the Board

succession planning for his successor at least annually. The Board periodically reviews with the Board succession plans for the CEO and senior executives. Succession planning includes policies and principles for CEO selection and performance review, as well as policies regarding succession in the event of an emergency or the retirement of the CEO.

Z. Formal Evaluations of the Chief Executive Officer

The Board establishes subjective and objective performance criteria at the beginning of each year for use in formal evaluations of the CEO. The Chairman conducts the evaluation of the CEO in the context of its review of the Company's performance in meeting its priorities.

AA. Evaluation of Board, Chairman and Committee Performance

The Nominating and Governance Committee oversees and approves the process and guidelines for the annual evaluation of the performance and effectiveness of the Board, the Chairman and each of the (i) Audit, (ii) Compensation, and (iii) Nominating and Governance Committees, including self-evaluations by each of these committees and the Board. The evaluation process may include Board member interviews, written guidelines or such other means as the Nominating and Governance Committee determines appropriate and may encompass such factors as duties and responsibilities, Board and committee structure, culture, process and execution or such other factors as determined appropriate.

SHAREHOLDER COMMUNICATIONS

BB. 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 would 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, 112 Bridge Street, Naugatuck, CT 06770. Communications are distributed by the Corporate Secretary to the appropriate director or directors, except for solicitations, advertisements, "junk" mail, mass mailings, etc. Proposals submitted by shareholders are not covered under this policy.

CC. Director Candidates Recommended by Shareholders

Eastern shareholders who wish to recommend a director candidate for the Nominating and Governance Committee's consideration must submit the recommendation in writing to the committee at the address noted in "Shareholder Communications" above. The recommendation must demonstrate that it is being submitted by a current Eastern shareholder and must include information about the candidate, including name, age, business address, principal occupation, principal qualifications and other relevant biographical information. Shareholders also must provide confirmation of the candidate's consent to serve as a director. Shareholders may make recommendations at any time, but recommendations for the consideration of nominees at the annual meeting of shareholders must be received not less than 120 days before the first anniversary of the date that Eastern's proxy statement was released to shareholders in conjunction

with the previous year's annual meeting.

DIRECTOR STOCK OWNERSHIP

DD. Director Equity Ownership and Retention Requirements

Directors receiving compensation for Board service hold an equity interest in the Company within six months days after their election to the Board, unless they have waived compensation for Board service. Each non-executive director receives his or her entire compensation for Board service in the form of Eastern shares of common stock. Non-executive 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 annual cash Board retainer during his or her tenure on the Board and for six months following the termination of their tenure. Non-executive directors will acquire their expected ownership within 36 months of joining the Board. These equity ownership requirements help align non-executive directors' interests with shareholders' interests.

EE. Prohibition Against Hedging and Pledging

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.

CUMULATIVE VOTING

FF. 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, which is not supported by a majority of the Company's shareholders.

Appendix A

Definition of “Independent” Directors

The Board has established the following guidelines to assist it in determining whether or not directors qualify as “independent” pursuant to the guidelines and requirements set forth in the Corporate Governance Rules of the NASDAQ Stock Exchange. 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 New York Stock Exchange in its Commentary to its Corporate Governance Rules):

1. Employment and commercial relationships affecting independence.

- A. Current Relationships.** A director will not be independent if: (i) the director is a current partner or current employee of Eastern’s internal or external auditor; (ii) an immediate family member of the director is a current partner of Eastern’s internal or external auditor; (iii) an immediate family member of the director (a) is a current employee of Eastern’s internal or external auditor and (b) personally works on Eastern’s audit; (iv) the director is a current employee, or an immediate family member of the director is a current executive officer, of an entity that has made payments to, or received payments from, Eastern for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million or 2% of such other company’s consolidated gross revenues; or (v) the director’s spouse, parent, sibling or child is currently employed by Eastern.
- B. Relationships within Preceding Three Years.** A director will not be independent if, within the preceding three years: (i) the director is or was an employee of Eastern; (ii) an immediate family member of the director is or was an executive officer of Eastern; (iii) the director or an immediate family member of the director was (a) a partner or employee of Eastern’s internal or external auditor and (b) personally worked on Eastern’s audit within that time; (iv) the director or an immediate family member of the director received more than \$120,000 in direct compensation in any twelve-month period from Eastern, other than (a) director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service) and (b) compensation paid to an immediate family member of the director who is an employee (other than an executive officer) of Eastern; or (v) a present Eastern executive officer is or was on the compensation committee of the board of directors of a company that concurrently employed the Eastern director or an immediate family member of the director as an executive officer.

2. Relationships not deemed material for purposes of director independence.

In addition to the provisions of Section 1 above, each of which must be fully satisfied with respect to each independent director, the Board must affirmatively determine that the director has no material relationship with Eastern. To assist the Board in this determination, it has adopted the following categorical standards of relationships that are not considered material for purposes of determining a director’s independence. Any determination of independence for a director that does not meet these categorical standards will be based upon all relevant facts and circumstances and the Board discloses the basis for such determination in the Company’s proxy statement.

- A. **Equity Ownership.** A relationship arising solely from a director's ownership of an equity or limited partnership interest in a party that engages in a transaction with Eastern, so long as such director's ownership interest does not exceed 5% of the total equity or partnership interests in that other party.
- B. **Other Directorships.** A relationship arising solely from a director's position as (i) director or advisory director (or similar position) of another company or for-profit corporation or organization or (ii) director or trustee (or similar position) of a tax exempt organization.
- C. **Ordinary Course Business.** A relationship arising solely from transactions, including financial services transactions such as underwriting, banking, lending or trading in securities, commodities or derivatives, or from other transactions for products or services, between Eastern and a company of which a director is an executive officer, employee or owner of 5% or more of the equity of that company, if such transactions are made in the ordinary course of business and on terms and conditions and under circumstances (including, if applicable, credit or underwriting standards) that are substantially similar to those prevailing at the time for comparable transactions, products or services for or with unaffiliated third parties.
- D. **Contributions.** A relationship arising solely from a director's status as an executive officer of a tax exempt organization, and the contributions by Eastern to the organization are less than the greater of \$1,000,000 or 2% of the organization's consolidated gross revenues during the organization's preceding fiscal year (matching of employee charitable contributions are not included in Eastern's contributions for this purpose).
- E. **Products and Services.** A relationship arising solely from a director utilizing products or services of Eastern in the ordinary course of business and on substantially the same terms as those prevailing at the time for comparable products or services provided to unaffiliated third parties.
- F. **Family Members.** Any relationship or transaction between an immediate family member of a director and Eastern is not deemed a material relationship or transaction that would cause the director not to be independent if the standards in this Section 2 would permit the relationship or transaction to occur between the director and Eastern.