

The Eastern Company

Compensation Committee Charter

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

Composition of the Committee

The members of the Committee shall be appointed annually by the Board. The Committee will be composed of three or more nonemployee members of the Board. The Board shall affirmatively determine that each member is “independent” in accordance with applicable law, including the rules and regulations of the Securities and Exchange Commission and the rules of the NASDAQ Stock Market (taking into account such additional independence factors specific to membership on the Committee as may be required by the rules of the NASDAQ Stock Market).

Members of the Committee shall serve until their successors are duly elected and qualified or their earlier resignation or removal. The Board may replace any member of the Committee.

Purpose of the Committee

The Committee’s primary purpose is to recommend to the Board of Directors policies and processes for the regular and orderly review of the performance and compensation of the Company’s senior executive management personnel, including the President and Chief Executive Officer, and to regularly review, administer, and when necessary recommend changes to stock option or performance-based compensation plans adopted by the Company.

Duties and Responsibilities

The Committee shall:

- Review and approve corporate goals and objectives relevant to compensation of the Company’s Chief Executive Officer, evaluate the Chief Executive Officer’s performance in light of those goals and objectives, and determine and approve the compensation level of the Chief Executive Officer based on this evaluation.
- Review and approve corporate goals and objectives relevant to compensation of the Company’s Chief Financial Officer, evaluate the Chief Financial Officer’s performance in light of those goals and objectives, and determine and approve the compensation level of the Chief Financial Officer based on this evaluation.
- Make recommendations to the Board of Directors and/or the Company’s Management with respect to compensation of executives other than the Chief Executive Officer and the Chief Financial Officer, and with respect to the Company’s incentive compensation plans and equity-based plans.
- Annually prepare and submit, for inclusion in the Proxy Statement to shareholders in connection with the annual meeting of shareholders, a report in conformity with Item 407(e)(5) of Securities and Exchange Commission Regulation S-K.

- Administer the Company’s stock plan, The Eastern Company 2010 Executive Stock Incentive Plan, and all other equity-based plans from time to time adopted and approved by the Company.
- Review and assess the adequacy of this Charter and the performance of the Committee on an annual basis.
- Review and make recommendations to the Board regarding:
 - The compensation policy for executive officers, employees and directors of the Company.
 - All forms of compensation (including all “plan” compensation, as such term is defined in Item 402(a)(6)(ii) of Regulation S-K promulgated by the Securities and Exchange Commission, and all non-plan compensation) to be provided to the executive officers of the Company.
 - General compensation goals and guidelines for the Company’s employees and the criteria by which bonuses to the Company’s employees are determined.
 - Other plans that are proposed for adoption or adopted by the Company for the provision of compensation to employees and directors of the Company.
- Undertake such other specific duties as the Board may from time to time prescribe.

Meetings, Quorum, Informal Actions, Minutes, Reporting

The Committee shall meet on a regular basis. Special meetings may be called by the Chair of the Committee. A majority of the members of the Committee shall constitute a quorum. Concurrence of a majority of the quorum (or, in case a quorum at the time consists of two members of the Committee, both members present) shall be required to take formal action of the Committee. Written minutes shall be kept for all formal meetings of the Committee.

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 may conduct meetings via conference telephone or similar communication equipment.

Members of the Committee may meet informally with officers or employees of the Company and its subsidiaries and may conduct informal inquiries and studies without the necessity of formal meetings. The Committee may delegate to its chair or to one or more of its members the responsibility for performing routine functions.

The Committee shall report regularly to the Board of Directors and shall annually prepare and submit, for inclusion in the proxy statement to shareholders in connection with the annual meeting of shareholders, a report in conformity with Item 407(e)(5) of SEC Regulation S-K.

Authority and Resources

The Committee may request any officer or employee of the Company or the Company's outside counsel to attend a Committee meeting.

- The Committee has the right, in its sole discretion, at any time to retain or obtain advice, reports or opinions from internal and external counsel, compensation consultants and other advisors (each, a "Compensation Advisor") as it deems necessary or appropriate to assist it in the full performance of its functions.
- The Committee shall be directly responsible for the appointment, compensation and oversight of the work of any Compensation Advisor retained by the Committee.
- The Company shall provide for appropriate funding, as determined by the Committee, for payment of reasonable fees to any Compensation Advisor retained by the Committee.
- The Committee shall consider such factors as may be required by the rules of the NASDAQ Stock Market or applicable rules of the Securities and Exchange Commission with respect to the independence of the Compensation Advisor. Such factors shall include other services performed for the Company, other compensation received from the Company, any policies and procedures of the Compensation Advisor relating to conflicts of interest, any business or personal relationships with a Committee member or an executive officer, and any Company stock owned by the Compensation Advisor.

Exceptions

Notwithstanding any implication to the contrary above:

- The Committee shall not be empowered to approve matters that applicable law, the Company's certificate of incorporation, or the Company's bylaws require be approved by a vote of the full Board.
- The Chief Executive Officer may not be present during voting or deliberations on his or her compensation.